GENERAL FARM BILL OF 1985
(Domestic Hunger, Food Stamp Program, and Temporary Emergency Food Assistance Program)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

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GENERAL FARM BILL OF 1985

(Domestic Hunger, Food Stamp Program, and Temporary Emergency Food Assistance Program)

FRIDAY, MARCH 1, 1985

House of Representatives,
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition,
Committee on Agriculture,
Boston, MA.

The subcommittee met, pursuant to call, at 9:15 a.m., in the Gardner Auditorium, Massachusetts State House, Boston, MA, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Present: Representative Emerson.

Also present: Representative Atkins.

Staff present: Robert J. Fersh and Lynn Gallagher.

OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Panetta. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is now in order for the purpose of conducting our first hearing in 1985 on the issue of hunger in this country.

I am Congressman Leon Panetta. I chair the subcommittee. With me today is Representative Bill Emerson, the ranking minority member of the subcommittee, on my left, and Representative Atkins from Boston on my right.

For those who may not be familiar with the work of our subcommittee, this is the 6th field hearing and 12th hearing overall that we have held on the issues of domestic hunger and Federal nutrition programs over the past 25 months.

In city after city—Cleveland, Birmingham, Los Angeles, Chicago, Miami—we have heard the same thing. There is a very serious problem of hunger in America. It is real, it is not anecdotal, and it is happening in city after city in this country.

The demand for emergency food assistance has grown significantly, if not dramatically, across the country. There remains a substantial unmet need, despite the improvement in the overall national economy.

Physicians and other health professionals tell us they are seeing adverse health effects, especially among young children, from the hunger problem.

Based on what we have seen and heard, Representative Emerson and I have worked on legislation to try to deal with the hunger problem. Two years ago, our bill on surplus commodity distribution became a basis for the current Temporary Emergency Food Assistance Program—TEFAP.

Last year, we stood together on H.R. 5151, the Hunger Relief Act of 1984, that passed the House by a bipartisan vote of 364-39.

That bill would have made food stamp benefits more adequate, increased work incentives and program accountability, and provided more funds for nutrition education. Unfortunately, the Senate took no action on H.R. 5151 and the bill died.

As we begin the 99th Congress, our subcommittee is confronted with stiff challenges. In the next 2 months, we must reauthorize both the TEFAP Program, which expires this year, and the Food Stamp Program.

We have come to Boston to learn how we might best accomplish our legislative goals. We are here to listen to State and local program administrators, public and private agency managers, physicians, researchers and program recipients tell us how we might incorporate their experiences and expertise to improve Federal policy.

We are cognizant that the hunger problem remains. Reports from across the country continue to flow into our subcommittee offices:

A 1984 U.S. Conference of Mayors survey of 83 cities with populations over 250,000 indicated that not only were new, emergency feeding centers serving more and more people, but that demand was likely to rise again in 1985.

Ninety-six percent of the cities projected that emergency food aid demand would be as high or higher in 1985 as it was in 1984. The cities also estimated that 25 percent of the demand for food assistance was going unmet.

A November 1984 report of the Maryland Governor's Task Force on Nutrition noted that in Baltimore alone, 27 soup kitchens served 93,000 meals a month, more than double the number served in 1982.

A 1984 report of the Ohio Senate Task Force on Hunger found an alarming increase in the number of individuals relying on food banks and food pantries throughout the State.

One typical example, the Memorial Community Center in Cincinnati, experienced an increase in participation of nearly 500 percent between 1981 and 1984.

And that is a common experience we are finding wherever we go.

Additional reports to the same effect have been received from Texas, Oklahoma, New York, and elsewhere.

Beyond the hunger problem, we know there are problems in Federal program administration that need to be addressed. We invite witnesses to share their insights on these issues as well.

This will not be an easy year to gain passage of legislation to address the hunger issue. As most of you know, the issue of the day in Washington is the budget, and more specifically, the Federal deficit.

One notion gaining support in various camps is that of a budget freeze. While there are many ways to design a freeze, there is one concept that I believe must be recognized in designing any freeze package.

I note on the Senate side in discussions on a freeze, they are exempting the income-tested programs from proposals that involve a freeze. Because the reality is that a freeze does not affect all persons equally.

I wish it did. It would make it very simple. But that is not the case. For those who participate in programs like food stamps and others, there is literally very little room for any kind of belt-tightening.

It is simply not fair to say that if all programs were frozen, everyone will share equally in addressing the Federal deficit.

It is a pleasure to be here in Boston. I want to thank all who helped us plan for this hearing, especially members of the Governor's staff. I look forward to hearing suggestions for improving Federal policy and for combining our efforts with local, public, and private-sector organizations to end the misery and the shame of hunger in America.

My thanks to all of you for joining us.

Mr. Emerson.

OPENING STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Emerson. Thank you, Mr. Chairman.

I also want to thank Mayor Flynn and his staff and others for the assistance in planning this hearing. Mayor, we look forward to hearing from you very shortly.

Our hearing in Boston marks the resumption of the subcommittee's field hearings concerning Federal food assistance programs and whether they are helping the needy in our country. One of the hallmarks of the subcommittee hearings is the nonpartisan nature with which we have looked into these programs and the problems that affect the poor.

Chairman Panetta has conducted the hearings all matters affecting the subcommittee fairly and with an eye toward resolution of the problems before us, not political gain. We may not always agree on solutions to the problems in programs for which this subcommittee carries responsibility; but we do agree on the requirement to look at these issues with care, compassion, and deliberation.

I commend Chairman Panetta and I look forward to another worthwhile period of time serving on the subcommittee.

I might say there are others involved in this issue before us who could learn from his example. The issue of hunger in America and how Federal food assistance programs help can be made into a very political issue.

Nevertheless, hunger in America and solutions to the problem must be solved in a bipartisan manner. In the past, our subcommittee has studied the hunger issue on this basis. We have had field hearings, we have received testimony from many witnesses and as a result of that effort, the temporary surplus commodity distribution program was extended for 2 years.

We also collaborated on a bill to increase work incentives for food program participants; the adequacy and access of food program benefits; program accountability; and efforts to provide nutrition education for low-income persons.

We worked together on those pieces of legislation, just as we worked together during the preceding Congress to achieve some necessary reforms in this program.

If we really want to deal with this issue of needy people and how to help them, we must continue to work on this issue in a nonpartisan way. I believe we can.

As I stated earlier, our hearing today is a continuation of the hearings the subcommittee has held in Washington and across the country on the issue of food assistance programs and the responses of all levels of government, Federal, State, and local, and the private sector, to the problems generated by the lengthy recession and high unemployment rates.

I have participated with the chairman in these hearings, and I have learned from them. I firmly believe that in our Nation of abundance it is a tragedy for one child, one elderly person, for anyone to go hungry.

There are many across the country responding to the needs of their neighbors and other human beings. I see it in my own home town, in my church, and in the news media. I bring this up to point out that there is a vast amount of assistance being provided to the needy by the private sector, without government involvement, and I believe our subcommittee hearings have been a step to bring this to light.

I believe this is an appropriate response by the private sector. The Federal food assistance programs have an appropriate place in the provision of assistance; but, private sector involvement in this issue has been around a long, long time and provides considerable assistance, probably in a kinder, more humane manner than Federal, State, or local programs.

For example, the latest report on donations made by Americans to charitable organizations demonstrates the commitment this country has to helping other people.

This report states that in 1982, $60.39 billion was donated. Of this, $48.69 billion was donated by individual citizens. Americans have recognized the need to help their fellow citizens and increased their donations by significant amounts from year to year.

The Government programs, and I will discuss only the Federal ones, provide the major amount of food assistance to people in need. The Federal Government spent a total of $19.6 billion in fiscal year 1984 for food assistance programs.

In fiscal year 1980, the Federal Government spent $14 billion. So, you can see there is an increase of over $5 billion in a 4-year period. Part of this cost is the Food Stamp Program, the major food assistance program for low-income individuals and families.

In 1980, $9.1 billion was spent on food stamps. In 1984, $12.4 billion was spent for this program. Again, a growth in both the money spent on the program and the number of people receiving benefits.

The Food Stamp Program is designed to be responsive to rising unemployment and the recession and it has responded over the years.

In addition to the Federal food assistance programs, surplus commodities are distributed to people in need. The chairman and I worked very closely on this temporary legislation and we agreed that it is not designed to take the place of the food assistance programs mentioned previously.

However, because of high unemployment rates, still felt in parts of the country, the past recession and the fact that surplus commodities are being stored by the Federal Government, I believe these surplus commodities should be made available to people in need.

The Congress will be looking at this program this year to see whether it should be continued, and if so, in what manner.

Under the legislation passed by the Congress and the initiatives of the Department of Agriculture, over 1 billion pounds of staple foods, such as cheese, butter, rice, and flour, have been distributed for use by individual households.

Since July 1983, over 107 million pounds of canned foods, such as chicken, beef, tuna, pears, and sweet potatoes, have been distributed for use by these households.

All this is in addition to the 1.8 billion pounds of surplus food that is distributed each year to schools, nursing homes, hospitals, elderly feeding centers, and other charitable institutions.

My purpose in recounting these facts is to provide the base on which we consider the testimony today. Some people, perhaps not those here today, neglect to set forth what is provided by the Federal Government before they begin to list what they want to be done.

My point is simply this. Food assistance is provided by both the private sector and all levels of Government in considerable quantities, and in quantities of dollars and food that have grown over the years. If this assistance is not preventing nutritional problems, we need to know this. However, we need facts, not opinions; solutions, not rhetoric.

I hope our witnesses today will be able to tell us what they identify as the problems here in Boston and the surrounding areas; if and why current efforts are not solving these problems; and, then, what should be done to resolve these problems.

Our witnesses should base their analysis of problems and their proposed solutions on facts, measurable data. If there are studies that are being conducted here or around the country that we should be aware of, please tell us.

I feel comfortable saying that the chairman and I are both interested in having all factual information laid before us so that we may evaluate it. If there is no data, insufficient data or no data on which to base a comparison, let us know.

I believe we all realize that the issue of hunger in America is a complex one. It is much broader than food assistance programs or the surplus commodity distribution program.

The choices families make on how and when to spend the funds available to them depend on where they live, the cost of housing and utilities, the job market and other variables.

Two families with identical income and expenses will choose to spend the money in different ways, one able to save and another barely able to make ends meet.

My point is this: We cannot hope to resolve the problem of hunger in America by pointing fingers, casting aspersions on the characters of others and generally offering inaccurate or misleading information in rebuttal to what some perceive to be solutions to this problem.

Thank you, Mr. Chairman.

Mr. PANETTA. Thank you, Congressman Emerson.

I would like to introduce into the record now the testimony of Hon. John Joseph Moakley, who is a Representative also from the Boston area. We thank him for providing a statement, and ask that it be made part of the record.

Without objection, it will be.

[The prepared statement of Mr. Moakley appears at the conclusion of the hearing.]

Mr. PANETTA. I next want to ask if Congressman Atkins has a statement to make at this time?

OPENING STATEMENT OF HON. CHESTER G. ATKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. ATKINS. Thank you very much, Mr. Chairman.

Let me welcome both you, Chairman Panetta, and Representative Emerson to Massachusetts. I want to, on behalf of the State, congratulate your subcommittee for the enormous effort and leadership that you have provided for the country in dealing with problems of hunger, particularly the Hunger Relief Act, H.R. 5151, one of the major positive steps to occur in addressing the problem of hunger.

I am certainly hopeful that this committee again will be able to get that legislation through the Congress. You will find in Massachusetts that we have been a national leader in recognizing the problems of hunger, and in fact, no State has done as much on a State level to try and use State resources to alleviate problems of hunger.

Unfortunately, State resources alone cannot resolve the problem, as I am sure you will be hearing from Mayor Flynn and from Governor Dukakis' cabinet, as well.

This State has been able to look first at tremendous problems of hunger here in one of the more affluent States in the country, and we have been able to do some things.

And I hope that those are helpful to you in looking nationally. Several years ago, we conducted a Massachusetts Nutrition Survey, and found that there were numerous instances of both severe malnutrition and developmental stunting of growth as a result of hunger in this State.

And Massachusetts started a very aggressive program to deal with, really, what have been the twin problems of the Food Stamp Program. That is, that there is no program in this country that the Federal Government runs that is more widely disliked or that has done more to undermine public confidence in Government than the Food Stamp Program.

Continuing problems with the administration of the program, including the facts or error rates that are in double digits, have frustrated efforts around the country to continue the remarkable progress against hunger that has been achieved since the inception of the program some 20 years ago.

We have worked in Massachusetts to deal with those problems and implemented some of the programs that you have suggested through this subcommittee.

Our progress, I think, has been remarkable in bringing down our rates and in greatly reducing instances of fraud and abuse in the program.

Unfortunately, there are recommendations in the administration's budget which would cripple Massachusetts' very innovative efforts to provide computer matches, photo ID's, to see that food stamps go to those people who most need them.

The second thing we have been able to do in this State is to recognize as a result of our nutrition survey, that there were thousands of people in Massachusetts who were malnourished, who came from families who were eligible for food stamps that had not received those food stamps.

Our department of public welfare initiatied an agressive program of outreach to reach these particular families with young children. We have had dramatic results as a function of that Outreach Program, and again, the President's budget, if it is adopted as proposed, would cripple those efforts here in Massachusetts.

I am sure you will hear from our commissioner of welfare and others about the impact of the President's recommended freeze on administrative payments in the Food Stamp Program.

I think, as we look at that, the twin effect of both increasing fraud and abuse in the program, and also decreasing Outreach to needy families is something that I hope this subcommittee will take a close look at.

Mr. **Panetta**. Thank you.

Now, we will proceed to our agenda. I would like to call and welcome Hon. Raymond Flynn, the mayor of Boston, to the subcommittee hearing.

Mayor Flynn, we are of course honored and pleased to be in the city of Boston, not only because it is such a historical city, but also for the fact that it is the home city of our Speaker.

But more importantly than that, this city has always been on the front line of progressive efforts to try to deal with problems like hunger. That is the reason we are here, to try to listen to you about those efforts and problems.

We are pleased you took the time to come here before us. Welcome.

STATEMENT OF RAYMOND L. FLYNN, MAYOR, BOSTON, MA

Mr. **Flynn**. Thank you, Congressman Panetta, Congressman Emerson, and Congressman Atkins.

We are very pleased, and congratulate you, and thank you for coming to Boston. It looks so nice to see Congressman Atkins up there. Congressman Atkins and I started in this very building in 1971 as freshmen legislators. I am still back here in Boston, doing the best job I can, and he is now to bigger and better things down there in Washington.

Congressman Panetta and Congressman Emerson, you could not have picked a more—a city that is a constrast, one that I think will clearly identify the significant need for courageous leadership on the part of Federal officials in Washington, to help deal with the issue of hunger than being in Boston at this particular time.

You may hear a number of comments made in the Halls of Congress about the economy of Massachusetts. And it is quite correct that the economy of Massachusetts is quite good, that there is a relatively low unemployment rate for a large industrial State.

And you will also have the opportunity as this hearing concludes to go down to St. Francis House, which is a short distance from here. I want you to notice on your drive down to St. Francis House, you are going to see a real contrast, the contrast that I am talking about.

You are going to see buildings reaching almost up into the heavens, in a prospering, developing, growing economy which had the largest amount of private commercial development this year in Boston per capita than any city in the United States of America.

But yet, at the same time, you are going to see a lot of people who have been left behind in terms of that properity and that development. You are going to find that in the city of Boston, for example, that 42 percent of Boston families are poor.

You are going to see that 200,000 Boston residents, 42 percent of our population, live near or below the poverty line, and that there are 200,000 people at risk of being undernourished.

And an increasing number of these people are forced to turn to food pantries and soup kitchens to feed themselves and their children.

In Boston, the Holy Redeemer Parish operates a daily food pantry. That single pantry has seen a steady increase in the number of families turning to them for help.

Congressman Emerson asked for some statistics. I would be happy to provide just a few. In December 1983, Holy Redeemer Parish served 35 families. By January of this year, the number had increased to 84 families. Overall, 120 food pantries in the city serve 5,100 families a month.

This is an increase of 88 percent over 1983. Last year, the pantries distributed nearly 1 million pounds of USDA surplus food. Yet, the Federal administration proposes to eliminate the funds for this program in the fiscal year 1986 budget.

The 27 soup kitchens in this city, like the one you will visit today at St. Francis House, served over 21,000 guests per week in 1984, up from 12,905 in 1983, a 64-percent increase in 1 year.

We are seeing, and I think it is important to point out here, in the City of Boston, because I have heard the argument made many times that, how can the Federal Government possibly provide programs such as nutrition programs and increase the funding for Medicare and Medicaid, community development block grant money, which we directed into the areas of homeless and hunger, when the Federal budget, the Federal Government is experiencing a more than $200 billion deficit and many of the States are experiencing a significant surplus?

Well, the fact of the matter is that Boston, for example, which has this incredible high percentage of poor people, is the only city in the United States that relies almost exclusively for its revenue on a property tax.

It is 98 percent of our revenue in taxes comes in the form of a property tax. And that, of course, has been capped because of proposition 2.5, comparable to your proposition 13 in California.

So what that basically means is that when we get cutbacks in Medicaid, Medicare, and the nutrition programs, and the WIC programs, Federal revenue-sharing programs, there is no way a city like Boston can possibly make up for that kind of loss.

We received $18.3 million from the Federal Government in revenue-sharing this past year. Every single penny of it went to neighborhood foot patrols. That being eliminated, it would make it almost impossible for us to provide the same level of support.

We are managing our resources in a very progressive, productive way. But the fact of the matter is that I want you to see in the city, because I think Boston perhaps is reflective of other cities in the country as well.

I had the opportunity of presenting that U.S. Conference of Mayors report to the U.S. House of Representatives last year on a study of 83 cities.

I think what we are seeing here is a double standard of justice happening in our country—one for the very wealthy and one for the very poor. And I think that we are patting each other on the back and applauding the recovery that our Government and our society is making, but the recovery is coming at the expense of poor people.

Poor people and the social programs that, as Congressman Emerson spoke about, a bipartisan effort, people that have served in Congress and served in the various State legislatures and the city halls, and the programs and successes they have had, whether it be in Medicaid and Medicare, or the WIC Program or Social Security, or any of those programs that have brought American people to a higher standard of living, there is a significant retreat toward that commitment.

I hope and trust that that will not happen even in this period of time of great budget cuts.

We have a humble goal in our city, and that is that a family's income should not be determined as to what child gets decent and adequate health care, or even what child lives or dies.

And we are seeing that there has been an increase in the rate of infant mortality because of budget cuts that have come to the city of Boston over the last couple of years.

I say to you that your responsibility as Members of the U.S. House of Representatives is awesome. And I know that it may be somewhat unpopular with the people of this country to say that social programs and social needs must be met.

If those programs are reduced, I think that we all share the responsibility of saying that we are about to turn our backs on the very, very poor and least fortunate among us.

So, I welcome you to Boston. I think you are going to see a city that is a city that just yesterday, we had the distinction of being classified as America's second most livable city by the Rand McNally report, and clearly, we take great comfort in that.

But underneath those shining, starry buildings and growing prosperity in our city rests a number of people who are sleeping in parks and streets, in doorways, who are standing in soup lines and kitchens.

And those people need your help, they need my help.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Flynn appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you, Mr. Mayor.

I really appreciate your coming today to present your testimony. It is going to be very helpful to us.

Let me ask you a couple of questions. The time that you have spent here in Boston—I draw your attention to the last 2 years—is it your impression that the problem of hunger has increased or decreased, or what is your impression of that problem within the city?

Mr. FLYNN. In my opinion, Congressman, it has increased, and I will tell you why. There is a real economic phenomenon happening in Boston, in Massachusetts, and happening I think in other cities of the country as well.

I have spoken to Wilson Goode about this, to Mayor Washington from Chicago. What is happening is there is a real widening gap between the very wealthy and the very poor. For example, the growth and the development and the prosperity of a city like Boston is really benefiting a number of people.

But with that, for example, comes real burdens in the area of housing. The high cost of housing, the vacancy rate in Boston is 2.5 percent for available housing for rental housing. What that basically means, obviously, it becomes very scarce, and therefore, the costs of housing are much higher than they are anywhere else.

That means that most people or many people, particularly people who are elderly or on fixed income, are probably paying between 40 and 60 percent of their total fixed income on housing.

And we have one of the highest energy costs of any city in the country. We have the highest transportation costs of any city in the country. We have second or third highest cost of living of any city in the country.

So what that basically means is people are spending their limited money on housing, and they are depriving themselves and their families of the nutritional needs that they need. So, as a result of that, they have to resort to a lot of food pantries and indeed, soup kitchens.

So, the issue of hunger is becoming a greater issue in Boston, even with the growing economy. So, it clearly indicates that the tide is not raising all boats. Some of the boats are sinking.

Mr. PANETTA. It is a dramatic contrast, because you do have in the city and in the State actually a very healthy economy, with an unemployment rate of what—somewhere around 2 percent?

Mr. FLYNN. That is right.

Mr. PANETTA. I guess the question that needs to be asked is if you have an economy that is that strong, and that is producing that low an unemployment rate, what is happening? Why isn't it reaching the people at the bottom end?

Mr. FLYNN. What we have, Congressman, it is not so much a problem of unemployment. It is a problem of underemployment. We have gone from a manufacturing economy to a service-based economy in large degree.

For example, between 60 and 70 percent of all the people who are working in this city right at this very minute do not live in Boston. There are 600,000 people that live in Boston.

But right now, that population has more than doubled. There is well over a million people right in the city at this particular time. As I indicate, almost 70 percent, between 60 and 70 percent of the people who are working in Boston do not live in the city.

Yet, the property tax is providing an enormous amount of money for the services, not only for Boston residents, but for the literally hundreds of thousands of people in the city each day.

Let me just give you one quick example. It may not be relevant to this issue, but it is kind of important, because it kind of suggests that a city like Boston that wants to deal with issues like hunger and homelessness and problems of the poor people is spending its money for services that they have to provide, such as police and fire and sanitation, but with no other alternative revenue.

For example, last summer—Chet, you would be interested in these statistics—we had the Shriners Convention in Boston. It was the largest convention ever held in Boston. There were over 65,000 Shriners, plus their relatives and families and guests.

They spent over $45 million in the period of time they were in our city. Is cost the city of Boston $483,000 to provide the various services for the Shriners—police and fire, celebrations, sanitation and health and hospitals, and so forth—basic services, and they were well delivered.

But of that money that we spent and the money that was generated in taxes, not one single penny went to the city of Boston. It all went to the Commonwealth of Massachusetts.

Now, if we had that $483,000 to deal with the issue of hunger and to deal with the issue of homelessness, that would really help dealing with the problem in a significant way.

But yet, what we had to do is we had to send that money to the Commonwealth of Massachusetts, or we send it to Federal taxes or whatever the case may be.

We generate in Boston over one-sixth of all the money that the Commonwealth of Massachusetts gets—comes from the city of Boston. Over $1.2 or $1.3 billion this past year.

We want to deal with these issues of hunger and homelessness, and we are, in a small way. We must have the finances to do it.

Mr. PANETTA. Let me ask you, finally, would you comment on private-sector efforts to deal with this problem in the city? It seems to me you are obviously getting a lot of service-sector industries coming into the city. That has been part of the reason for the economic growth that you have here in the State.

Are those industries, the private sector element, participating in any meaningful way in trying to address this problem?

Mr. FLYNN. I have to say historically, they have not. There has not been a real sharing of the wealth of the downtown with the neighborhoods of the city of Boston. It is one of the things that I ran on as a candidate, and one of the things that I think is very, very important.

We are making some progress. I wish I could say to you we are making a lot of progress. There is a long way to go. Change doesn't come overnight, doesn't come easy. We, for example, have a situation where people want to develop in Boston commercial development.

They must put a certain predictable amount of money into a neighborhood investment fund that goes to rehabilitate abandoned housing or to expand the supply of safe, decent and affordable housing.

We are tapping those resources. It is not as much as I would like it to be. And there are greater things and more things that the business community could be doing for the neighborhoods of the city.

There is progress—for example, we have a Summer Jobs Program, we have a Boston Jobs Program, whereby we try to encourage any new development to provide 50 percent of all their jobs go to Boston residents.

And we have been successful. We have had good success recently. But again, it is going to take us a while, so that the growth of the central city can be shared with the people in the neighborhoods of Boston.

Mr. PANETTA. Thank you.

Mr. Emerson.

Mr. EMERSON. Mayor, it sounds like some of your problems here, in the case of the Shriners Convention and what the city of Boston didn't get out of it, that structurally some of your problems are related to your relationship with the State.

Do you have some ongoing efforts between the city and the State to revise these structures so that Boston might get a little more assistance from Massachusetts?

I understand they are running a good surplus. You know, we don't have one in Washington.

Mr. FLYNN. I am glad you asked that question.

Well, let me just say this: There has not been a successful effort for the cities and towns of Massachusetts to get real structural financial independence since they dropped the tea into the Boston Harbor here several years ago, 211 years ago.

So, there has never been a successful effort to get that alternative revenue options. We are petitioning the legislature and the Governor this year. The case is quite clear, and probably made even clearer because of the Federal cuts, projected cuts, such as in the area of revenue-sharing, because it really has given people an opportunity to focus on the severity of the problem.

This money is not only that has been used for frill programs. It has been used for police officers and the neighborhoods of the city. When we are able to explain it in that capacity, it has a very clear constituency, a strong constituency—business constituency, neighborhood constituency as well.

That is our challenge. I mean, if I were able to increase a sales tax or the meals tax or the hotel and motel, or the parking, I would not be here in the same capacity talking to you that I am.

I would merely go out and increase those taxes, so that I could provide the services for poor people in the city. And then I would go back to the people in November and then I would be answerable to them on the issue of taxes. I have no hesitancy whatsoever to tell people that they have to pay taxes for services for poor people.

I am not afraid of that. But I don't have that authority to do that. And that is what I want to do. I am probably the only mayor in America that is running on a program for more taxes. But I am doing that because, clearly, they are needed to provide the basic quality of life services for people in this city.

Mr. EMERSON. You know, one of the frustrations we wrestle with all the time is that there are several Federal programs to help people in many different ways, housing, fuel, and food.

Very often, the eligibility requirements vary program to program to program. It has always seemed to us that there ought to be some common denominator. I think maybe it has to do with the way these different programs grew up, that there are not the common eligibility requirements.

Probably also some tougher difficulties in Congress, because we have jurisdiction over all of those. It is split up between a number of different committees. Do you have any suggestions or recommendations you could make to us as to how we might better get all the different Federal programs of assistance together for the poor in one bundle and maybe with one standard of eligibility?

Is this something you worry about, that we do have sort of spreadout programs, one of which doesn't connect with the other, but maybe one person needs all of them?

Mr. FLYNN. One of the things that was really disheartening to me was on February 6, I guess it was, when the President gave his State of the Union Address. And the comments that the national press solicited after the State of the Union Address came from Congressmen, U.S. Senators, and Governors.

It is bizarre that they are talking to people about a situation that really is not going to affect them all that greatly as it is going to affect the Wilson Goodes and the Dianne Feinsteins and the Tom Bradleys and those kinds of folks.

We are the people that deal with the homeless and deal with the problems of hunger and deal with the problems of poverty and crime—not some U.S. Senator. And I think that there ought to be a greater coordination, a greater working coordination with the various mayors.

I know Congressman Panetta does that—working with the mayors throughout the country, because they are the people who deal with the bread and butter, if you will, the nitty-gritty kind of social problems.

If there is a riot in our country, it is the mayors that are on the front line dealing with it. If there are soup kitchens, it is the mayors that are dealing with those kinds of problems.

So, I would suggest that there has to be a closer relationship between the Federal Government and the mayors. And I find—for example, here in Massachusetts, we have—while most of us are

Democrats, the head of the Massachusetts Mayors Association is a Republican from Newton.

There is that kind of bipartisan support. He is supporting me on my efforts, I am supporting him on his efforts. So I would suggest, if there is one suggestion—I don't know if it directly answers your question, I don't know that much of what is going on down in Congress in terms of the structure of the committees—but I do know there is a greater need for a lot more dialogue between the U.S. Congress, the House of Representatives, and the various mayors of our country.

Mr. EMERSON. One of the things we tried to do in H.R. 5151 last year—it got through the House, but as the chairman noted, it did not make it through the Senate—was to make street people eligible for food assistance.

How do you handle the street people here in Boston in terms of unique programs?

Mr. FLYNN. What we have just done recently is the police commissioner has met with people from the department of health and hospitals, the ambulance drivers, who drive the ambulance throughout the city at night, and the police officers and police cars, and so forth, and to pick up the street people and to take them to the Boston City Hospital, and then they see—when the temperature reaches a certain level, and they try to provide health care and nutrition service for them, try to encourage them to go to a shelter that we have at Long Island Hospital or the Pine Straten, or some other place.

So that is what we are doing. We had a very interesting phenomenon that happened in Massachusetts when Chet and I were first elected. That is the deinstitutionalization, which meant that so many of these institutions were open, and they were supposed to set up community based facilities for retarded or handicapped or people with social needs.

They closed the State hospitals, but they never set up the facilities in the communities. As a result of that, between the economy and deinstitutionalization, we have seen a significant increase in street people.

Mr. EMERSON. Do you have adequate facilities for caring for them?

Mr. FLYNN. No, not really. During the real cold evenings, the cold periods of time, there is a need for greater shelter facilities.

What I would like to see is smaller ones in the various communities of the city rather than the large concept that some of the cities have talked about so far—armories or the warehousing and so forth.

I would rather see smaller facilities. But I have to say this: In Boston, I think that one of the greatest things that we—in Massachusetts, too—one of the greatest things we have going for us is the enormous number of people—who have just donated, devoted their whole life, really, to helping Project Bread and Roses or St. Francis House, or Sojourner's House—Pine Straten—there are so many of them that are just terrific people, and I have had the opportunity of working with them.

Mr. EMERSON. We have found the private sector elements are really magnificent.

Mr. Flynn. They are remarkable.

Mr. Emerson. Thank you very much.

Mr. Panetta. Congressman Atkins.

Mr. Atkins. I would just like simply to congratulate Mayor Flynn. He learned an awful lot when we were freshmen State representatives together. I never thought I would see the day when he could rope a Republican Congressman from southwest Missouri into his battle for a revenue package for the city of Boston.

I am sure with that kind of skill, mayor, you will be successful in bringing the Governor on board shortly.

Mr. Flynn. Thanks, Chet.

Thank you very much.

Mr. Panetta. Thank you very much, Mayor. We appreciate your presence here. Incidentally, those who present testimony, your testimony will be made part of the record.

As I said, we would remind witnesses that their full statements will appear in the record, if you summarize. We would like to have you summarize those statements as much as possible, if you can, within 5 to 10 minutes.

The next panel will be Mr. Philip Johnston, secretary, Massachusetts Executive Office of Human Services; and Charles Atkins, commissioner of the Massachusetts Department of Public Welfare.

Gentlemen, thank you for coming and testifying before the subcommittee. You have heard our purpose is to try to look at problems at the State and local level, and to try and consider not only the depth of those problems, but what needs to be done to respond to them.

With that, I would recognize Mr. Johnston. You may proceed.

STATEMENT OF PHILIP W. JOHNSTON, SECRETARY, MASSACHUSETTS EXECUTIVE OFFICE OF HUMAN SERVICES

Mr. Johnston. Thank you, Mr. Chairman, Congressman Emerson, Congressman Atkins.

Let me just begin by saying I am proud to be a resident of a State in which the mayor of the capital city would come before a congressional subcommittee such as this and make the kind of statement that Mayor Flynn just made.

People in public office have choices to make about their time and their energy and their commitments. He has obviously made his choices and his presence here this morning, the kind of testimony that he gave you, low-key as it was, he made very significant statements, I think, about the kind of commitment that he and the city of Boston are making to poor people here.

I have written testimony which is being submitted. I believe the commissioner does as well. Both of us have relatively brief oral testimony that we would like to give.

Mr. Panetta. That is fine. Without objection, your statement will be made part of the record. You may proceed as you wish.

Mr. Johnston. Thank you, Mr. Chairman, members of the subcommittee, and Congressman Atkins, for giving us this opportunity to appear before you.

As you continue to study the hunger problem, and as you begin your focus on the Food Stamp Program. I want to regret that Governor Dukakis is not able to join us this morning. He is about to take off tomorrow for the Far East on an economic development trip that is going to be very important to the Commonwealth.

But this is an issue that obviously he feels very strongly about, and he asked me and the commissioner to come and speak on his behalf this morning.

At the outset, I would like to commend this subcommittee for your leadership in passing an amendment to last year's continuing resolution, which increased benefits from 99 to 100 percent of the Thrifty Food Plan.

Moreover, I would like to single out the subcommittee chairman for introducing the Hunger Relief Act last year. As originally proposed, H.R. 5151 contained a number of benefit expansions which I hope this subcommittee will again consider this session.

Let me begin by recalling the words of another.

> There is a familiar America. It is celebrated in speeches and advertised on television and in the magazines. It has the highest mass standard of living the world has ever known; that does not change the fact that tens of millions of Americans are, at this very moment, maimed in body and spirit, existing at levels beneath those necessary for human decency.
>
> If these people are not starving, they are hungry, and sometimes fat with hunger, for that is what cheap foods do. They are without adequate housing and education and medical care.

Those words were written 25 years ago in Michael Harrington's landmark appeal on behalf of the "Other America." It is a shocking fact that these words still apply in 1985, despite all the political upheavals and turmoils of the past 25 years.

Earlier this week, the Harvard School of Public Health released its report documenting hunger in this country of epidemic proportions not seen in at least 15 years.

It is a grim irony that this publication should coincide with the anniversary of Mr. Harrington's impassioned plea to the American people to look behind the gross national product at the human face of poverty.

The Commonwealth of Massachusetts today enjoys one of the lowest rates of unemployment and one of the highest rates of economic development in the country.

Yet, as Governor Dukakis warned in his recent State of the State address, even as we celebrate our economic resurgence, we must be wary of the complacency that the law of averages invites.

In the midst of our prosperity, there are regions of our State and special populations, particularly minority groups, who have yet to share in our economic opportunity.

In the midst of our prosperity, 10,000 Massachusetts citizens wander the streets of our cities and towns each day in search of food and shelter. Despite a nine-fold increase in the number of emergency shelters funded by the State in the last 2 years, public shelters across the State continue to have referrals twice their capacity.

Homelessness is the new face of the other America. The homeless are a kind of human barometer of tens of thousands of Massachusetts citizens who are literally one major illness, one paycheck, one rent hike, one extra mouth to feed, or one burnout away from the street.

A seductive myth about the homeless is that they tend to be chronic street people who have made their own choices. This myth further suggests that homelessness is an insoluble social problem that allows for public indifference.

At least one-third of Massachusetts homeless citizens are families, a single mother with two children; 60 percent of these children are under the age of 7.

We know that the number of homeless families has been increasing at an alarming rate. The fact that 80 percent of homeless families in Massachusetts are on public assistance attests to a decade of erosion and now pressing inadequacy of the Federal benefit structure for families poverty.

One prime indicator of economic growth is housing development. The impact on poor families of the real estate boom in Boston, an issue the mayor noted in his testimony, which now has the highest housing costs in the Nation, has devastated the market for low-cost housing.

Vacancy rates hover below 23 percent. The average AFDC family pays as much as 60 percent of its total monthly income for rent and utilities.

Most of these families run out of food money before the end of the month and an increasing number must turn to charitable organizations for help. Let me give you two striking examples:

Since it opened its doors in 1981, a Boston food pantry reports the number of families served weekly has quadrupled.

A soup kitchen in western Massachusetts reports a 67-percent increase in the number of people served nightly meals; 100 percent of whom are families with children, and many of whom wait long hours in line each night because the soup kitchen runs out of seats.

In recent years, Massachusetts, a State strongly committed to Federal antipoverty programs, has watched its average family food stamp allowance fall significantly. Through a myriad of so-called coupling rules which effectively prevent States from increasing essential benefits without reducing others, the Federal benefit structure quite literally forces poor people to choose between heating and eating. This coupling effectively rules out any chance of closing the poverty gap.

We must be cautious of the rhetoric, as opposed to the fact of economic opportunity. Confusing rhetoric with fact can lead us as a nation into condoning a lower standard of living, an increasingly indecent standard, for the poor than we did 15 years ago.

The fate of the Food Stamp Program is really a question of how this Nation should measure the cost of poverty in the 1980's. If we measure it solely in terms of Government spending, and slash these benefits any further, we will have grossly underestimated the real cost of poverty: The human cost in loss of self-respect and the economic cost of chronic disability and lost productivity that an inadequate benefit structure promotes.

Progressive economic and social welfare policies can work hand in hand to help poor people return to active, productive lives.

The Massachusetts Employment and Training Choices Program for welfare recipients, about which Commissioner Atkins will speak in more detail, is one such example. ET, as we call it, shows us that people on welfare can and want to work, but creating the opportunity to work means much more than lowering interest rates, loosening up on M-1, or growth in the GNP.

It requires an understanding of individual circumstances, of the unmet needs that perpetuate poverty and of the strategic benefits a poor family with dependent children needs in order to take advantage of employment opportunities.

Most importantly, as you will hear from the commissioner, day care. In short, its Government offering needed support, an investment in people that pays off.

We plan to expand the ET concept next year to reach other low-income populations traditionally not counted in standard unemployment figures. But the continued success of ET and our ability to extend opportunity to other poor people is dependent on the cooperation of the Federal Government in stabilizing essential benefits like food stamps.

As Michael Harrington concluded 15 years ago, "the means are at hand to fulfill an age-old dream."

I have also submitted to you today, a more detailed written statement that addresses very specific concerns about the Food Stamp Program. But in conclusion, let me make three final points.

First, we recommend that the subcommittee oppose freezing food stamp benefits in fiscal year 1986. Given the vivid testimony you will receive today, and the Federal funding reduction over the last 3 years, it is difficult to justify further cuts in this program. Simply stated, the poor have suffered enough.

Second, we oppose the optional food stamp block grant proposal. We believe in preserving the entitlement nature of the program, which is intended to guarantee every American's minimal nutritional needs.

In addition, this program cannot afford the surreptitious cuts that have accompanied past block grant consolidations.

Finally, we support benefit expansion as proposed in the Hunger Relief Act. Specifically, decoupling of the shelter and day care deductions, increasing resource limits for eligibility, and indexing the food plan to more closely track inflation.

Mr. Chairman and distinguished committee members, thank you for the opportunity to testify on one of the most critical social welfare problems today.

[The prepared statement of Mr. Johnston appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Johnston.

Mr. Atkins.

STATEMENT OF CHARLES M. ATKINS, COMMISSIONER, MASSACHUSETTS DEPARTMENT OF PUBLIC WELFARE

Mr. CHARLES ATKINS. Mr. Chairman, I appear before you today as both commissioner of the Massachusetts Department of Public Welfare and also as the chairman of the management and quality control committee of my fellow commissioners from across the country.

I have prepared a written statement which I have submitted for the record.

What I would like to do is spend some time discussing with you this employment and training program that Secretary Johnston referred to. I did spend a few hours with your staff yesterday going over this program and some other work we are doing.

It was at their suggestion, I would like to spend the time, if I could, to take you through this series of charts.

Let me say, again wearing my hat both as commissioner of the department and chairman of the committee on management and quality control, of the welfare commissioners across the country, we are unalterably opposed to the use of sanctions by the Federal Government for whatever purpose.

The entire quality control program, as you well know, has been used as a vehicle to try and attempt to take money from the States, literally money out of the mouths of people who need it, away from programs such as Food Stamp Programs across the country, and AFDC programs, to be used for other purposes by the administration.

I do hope that you will continue your fight in terms of trying to make some better sense out of the quality control program as it has been used in the Food Stamp Program, because it doesn't make a lot of sense to us.

One of the things I am quite concerned about is the proposal by the Reagan administration to expand the use of sanctions, not just in the quality control program, but to use it to try and force States as a club to get people into workfare-type programs.

What I would like to do is quickly show you a series of 13 charts that depict the program we have been running here under Secretary Johnston's leadership since October 1983, that is available for AFDC and our own general relief population, and obviously anyone on food stamps, who is part of that population, can also participate in the program.

I would like to expand this program to include, as we call it, the NPA food stamp population, but I would only like to do it if we can approach it the way we are trying to approach this program, again, not the way the Reagan administration has proposed to force people into job search, that I find meaningless.

Basically, the colorful cover of the charts is a replica of a poster that appears in each one of our offices to try to encourage welfare recipients in Massachusetts to participate in this program.

And I might say that Congressman Atkins, when he was chairman of the Senate Ways and Means Committee here was instrumental in helping us design this program and get the funds that we need from the State legislature to make it work.

Basically, chart 1 shows how the program is designed. The first step is registration. Registration goes on in each one of our 60 local welfare offices across the State. By Federal law, we have to register all welfare recipients, unless they are exempt.

Exemptions are, for example, for women with children under the age of six. It is a silly, meaningless paper exercise. I hope we don't see it replicated in the Food Stamp Program. It doesn't help people decide what they would like to do with their futures.

That we hope takes place in the next box, where it says appraisal and employment plan. We have trained about 100 staff, spread them across the State to try to work with our clients, to help them decide which of the four choices shown in these columns or the boxes in the column in the middle of the chart, which are the four choices they would like to participate in.

Starting from the bottom, the first choice that is available to people is if they are job-ready, we can place them directly into a job, in part thanks to the booming economy of Massachusetts, the creation of 160,000 jobs last year, we have had jobs available for welfare recipients.

The next choice we offer people, entirely with State funds, in large measure thanks to Congressman Atkins, a supported work program. We are perhaps the only State left in the country that still runs such a program. It was started during the Carter administration, in about 15 States across the country.

I don't believe there are any of these programs left in the country using Federal funds to support the operations of them. There are supported work programs that do get grant diversion, the use of welfare funds to pay people, but they are operated with State funds.

The third choice is what the bulk of our clients need, and that is additional education and training. 55 percent of our clients do not have a high school education. That is probably typical of the public assistance caseload across the country.

For those clients, we have to do a better job of getting them training, working with Department of Labor funds available in each State to provide the training and education.

And the fourth choice is for those clients who are not sure which of the previous three choices they would like. They can choose to get additional help in planning a career with the output, a choice into one of the other three boxes.

The goal of all these choices is to place people into unsubsidized jobs. Since this program began in October 1983, I am delighted to be able to tell you we have placed over 13,000 welfare recipients in Massachusetts into full or part-time jobs.

The second chart basically States what the three goals of our program are in Massachusetts. They are goals to place 50,000 welfare recipients into jobs by their choice.

We estimate that will take us 5 years to accomplish. We are very clear, one of our goals is to reduce the welfare dependency of those people. Is it not good enough to run a workfare type program. That was tried in the previous administration in this State, and it failed; 37 percent of the people placed into jobs during the previous administration, which ran a workfare type program, left—only 37 percent of the people placed into jobs were there after 30 days.

In our program the retention rate at 30 days is running 85 percent. We think that reflects our allowing people to make a choice as to what they would like to participate in.

The third benefit we think will save 150 million tax dollars, half Federal, half State, by placing 50,000 people into jobs in a 5-year period.

Chart 3 basically shows how the program has been going since we began it. As you can see it, as of January 1, there were close to 12,000 people placed into part-time jobs, substantially ahead of our goal.

That figure is now over 13,000. Chart 4 shows the choices people have made. As it says, 45 percent of the people that have participated in our program have chosen to go exactly into a job. That is the percentage of our caseload with a high school education.

The second largest choice, over a third of the people have chosen education or training. What the Reagan administration has proposed in terms of workfare programs for AFDC recipients and food stamp recipients would not allow that to happen.

People would have to go through a job search or job club. Again, the majority of the recipients don't have the skills or education to successfully compete in the job market.

Chart 5 shows the distribution of jobs people have chosen to date. Unlike the stereotype that most people on welfare could only take clerical or service jobs, while they represent a substantial portion of the jobs chosen, people are choosing jobs across the spectrum.

And the wage rate on average is $5 an hour.

Chart 6 shows the distribution by gender, with the important point here being almost 20 percent of the people who have chosen to participate in this program have children under the age of 6.

Those people are exempt by Federal law from even having to participate in this program. We think that that shows that it is a myth that welfare recipients don't want to work. They do want to work if given the choice and support.

As Secretary Johnston said, one of the important supports we offer in this State entirely with State funds is day care. Since most of the people on public assistance are young women with children, by providing them day care, we have enabled them to get over that obstacle in terms of getting a job or getting into training or education.

Chart 7 shows the distribution by race of the people on our caseload, and the people who have participated in this program to date. Almost two-thirds of the caseload in Massachusetts on AFDC is white.

Chart 8 shows, and this to me is probably the most important chart, shows what it means to the people who have participated in the employment and training program since we began.

In Massachusetts, while we rank among the top 10 States in the country in terms of our benefit levels, we can only give the average welfare case in Massachusetts, a young mother 30 years of age with two kids, $4,300 a year in cash to live on.

I don't know about you, but I could not live on $4,300 a year in cash, much less support two children, which is what she has to do.

In addition to the $4,300 in cash, she gets about $1,800 a year in food stamps on average, plus medicaid benefits. By contrast, for those people who have participated in the employment and training program, which is not available or necessarily suited to everyone—for those people, we have been able to help them get jobs that pay on average $9,700 a year.

By going off public assistance, they face a cliff, they will lose the other benefits—food stamps, day care, medicare. What we have tried to do with State dollars is continue day care for a full year after they come off public assistance, to at least delay that cliff.

The same thing with medicaid. We have, through Secretary Johnston's leadership, proposed next year to the State legislature to allow us to take HCFA up on its offer and extend medicaid benefits for 15 months, under certain benefits of people working.

We are trying to place women into jobs that carry health insurance; 70 percent of the jobs have that.

One of our major problems is food stamps. As opposed to the $1,800 in food stamps they got when receiving $4,300 a year, because of this problem that we lose a dollar of food stamps for every $3 increase in benefit levels, the net result is for the average case of someone getting $9,700 a year, their food stamps has gone from $1,800 to $900 a year.

Chart 9 basically shows the point I was making before, that at least for the first year of the program, that 85 percent of the people who had entered jobs were still there at 30 days, encouraging to us.

Chart 10 shows the effect this program has had on our AFDC caseload. Since we began the program, our AFDC caseload has dropped to 89,000 cases to, it actually now is about 83,000 cases.

Chart 11 compares Massachusetts to the other top 10 welfare States in the country. Because one of the things we wanted to see is, was this drop in the AFDC caseload going on across the country.

As it shows of the top 10 welfare States in the country, measured by caseload, all but two States, us and Pennsylvania, actually are experiencing an increase in their caseload during 1983 and the first 6 months of 1984.

Then we asked, perhaps it was simply because of the thriving economy in Massachusetts. As the next chart shows, every single one of the States had a substantial improvement in their economy.

An improvement in economy, job growth, is critical to the success of a program like this. But you do have to have a program in place. You have to have the support of the Federal Government, of State government, and the cooperation of all the agencies involved to make it work.

The last chart shows the benefit to the taxpayers, which is part of the argument I hope we can make to get this program fully supported by the Federal Government.

As this chart shows, we estimate we have saved over $35 million since the program began.

Thank you very much.

[The prepared statement of Mr. Atkins appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much for your testimony and for emphasizing in particular the employment and training choices.

Mr. Secretary, let me ask first for your comment on this question, because I think it is a very relevant question considering our times and the economic situation in the country.

There is clearly emphasis on an economic recovery, the impact in terms of inflation rates, employment—it is particularly true here in Massachusetts, in terms of activity on the economic front.

Yet, at the same time this is happening, there is another side of the story about the increasing problem of the homeless, the hungry, and pressure on soup kitchens and food pantries to meet the demand for emergency food assistance.

Why do you think that is happening? What is your explanation?

Mr. JOHNSTON. To begin with, it is happening. The unemployment rate, as you pointed out, and I think as Mayor Flynn pointed out, is around 3.4 percent, I think is the latest figure, for Massachusetts, which is extraordinary and in some areas in Massachusetts there is, for all practical purposes, it is zero unemployment.

But those figures mask a lot of very serious problems in specific geographical areas. For instance, if you go into the city of Holyoke today, we have got an infant mortality rate which is as high as some very poor countries in Central America.

Specific minority groups, particularly blacks and Hispanics, suffer from completely unacceptable unemployment levels. The number of people literally wandering the streets, going into the soup kitchens and going into our homeless shelters during the last 3 or 4 years has increased substantially.

Now, in Massachusetts, we try very hard to deal with that. And I think a way that is more sensitive, and I think more generous in terms of our commitment to utilize State money, than any other State in the country, we try to emphasize approaching this homelessness problem by not warehousing people, by emphasizing the funding, the use of small shelters which have associated with them strong social services components which are connected up—a lot of people get connected up with health care, with permanent housing, with mental health services if it is required and appropriate, and with employment opportunites to the extent that those opportunities can be helpful to people.

And in fact, just to give you one interesting statistic, when we came in here 2 years ago, there were, I believe, two shelters for the homeless across the State. Today, we have 26 such shelters.

And most of those are shelters which are sited in various communities which have experienced particularly serious homelessness problems.

Despite all of those efforts—and I dare say, we are spending at this point millions and millions and millions of dollars in Massachusetts to deal with this issue, and in addition, there is a substantial private investment as well in support of these—particularly the food, shelter, and soup kitchen network we have—despite all of these efforts, we find that the number of people coming to us for help in those shelters and in those soup kitchens continues to increase.

And so, despite the fact that we have among the general population very good times, we have a significant number of people in this State suffering very badly and continue to suffer.

Mr. PANETTA. I understand the situation. I guess what a lot of the country is asking is why is that happening at a time when you have got this kind of recovery going on, if you have the unemployment rate you have—then why is this other part of Massachusetts, this other part of America, continuing to have an increasing problem with hunger?

Why isn't this recovery reaching those people at those levels?

Mr. JOHNSTON. I think there are a number of reasons. To begin with, we have—I would list, I guess, three major reasons for a homelessness-hunger problem in Massachusetts.

First is the problem that the mayor alluded to in his testimony. That is that our mental health system, during the last couple of decades, has undergone a revolution, as you know. We have done what I think was necessary, and that is to close down many of our State institutions for the mentally ill.

Unfortunately, we have not put into place in this State—I don't think this has happened in any State in the country really—a strong network of alternative placements for severely troubled people.

So, a certain percentage, and it is a significant percentage, of the 10,000 or so homeless, for instance, in this State, tend to be people with chronic mental health problems.

The Governor is going to be making public within 60 days or so a major plan for the future of the mental health system here. I think until we deal with that, and really implement a plan, it is going to cost some dollars, by the way, most of which will be State dollars, that we are going to continue to have these kinds of problems.

So the mental health issue, I think, is one that should not be overlooked when we are dealing with this extremely vulnerable population.

Second, there have been major changes in regulations and law at the Federal level and regrettably in Massachusetts, I would argue, during the previous administration tended to have a negative impact on poor families in particular, and in many cases, poor individuals who fall under our State-funded general relief program.

We at the State level in this administration have tried to undo some of those regulations, both in terms of the kind of approach that the commissioner just described to you on employment issues, but also around emergency assistance to poor families.

But at the Federal level, the impact of cuts in the nutrition programs, Food Stamp Program, the proposed freeze on the Food Stamp Program in the President's budget proposal, for instance, would cost this State somewhere between $6 and $8 million, which obviously is going to have a serious impact on our ability to help people.

The third problem I think, major problem, is that we have in this State, as in most other States, a chronic lack of available housing units for low and moderate-income families.

As so, frankly, again, at the Federal level, we have an administration which proposes to have the Federal Government turn its back completely on the need for public housing, for Federal-supported public housing in this country.

And despite the fact that Massachusetts, with the help of our former chairman of the Senate Ways and Means, Congressman Atkins, enacted a $200-million bond authorization to provide for additional housing starts 2 years ago, and now the Governor has submitted another $200 million bond authorization for low- and moderate-income housing, we cannot do this by ourselves.

We have got to have major help from the Federal Government in the housing area. And instead, we are seeing proposals for further cutbacks.

I think those are the three major problems that we face.

Mr. PANETTA. Commissioner Atkins, I am very impressed by the work you have accomplished in Boston on the employment side, because, frankly, that is one of the great frustrations that we have been trying to deal with on the subcommittee.

It is my view—and I think it is Bill Emerson's—people we have met in the soup kitchens and soup pantries, that that is the very last place they want to be.

These people really want to get out. And, if you ask them what they would like they might say just give me a good job so I can survive.

And the frustration at our level is how to implement something that is meaningful. I understand what you are saying about registration. Registration just becomes a bureaucratic sheet. You get everybody to sign it. But it doesn't do a thing to get people into a job.

I guess the question I need to ask you is, in considering the kind of operation you have here, which I think is an effective one, mainly because you probably have very good people implementing it and dedicated to it.

Part of our problem is we can put this into all kinds of laws, but if you don't have dedicated people, it all turns into mush.

What do you think that we can do at the Federal level to best assist you in implementing the kind of program you have just described to us?

Mr. CHARLES ATKINS. The first thing that comes to mind is money.

Mr. PANETTA. I had a feeling that would be important. That is all right.

Mr. CHARLES ATKINS. We will spend this year on our employment training programs some $30 million, half of it Federal and half State. Not because it is a 50-50 match, but because our State legislature again through the leadership of Congressman Atkins when he was here, has chosen to support this program; $11 million of the $15 million in Federal funds somes from the WIN Program. For the 4th year in a row, I believe, the President has proposed to eliminate that program. If that program is eliminated, we are either going to have to use additional State funds to support the program at this level, or it is going to come to a grinding halt.

With respect to your committee, it seems to me that in particular, if we could get the Department of Agriculture similarly to put some money into a program like this, we could open it up to, as we call it, the MPA food stamp population.

Right now, we estimate there are at least 5,000 food stamp recipients in Massachusetts who we could be putting through this program, but are not eligible because they are not on AFDC or on our general relief program.

So by having some money from the Department of Agriculture to run a program like this and the legislative authority to do that, I think we could open this program up to additional people such as the ones you have described, many of whom are in lines in soup kitchens and don't want to be there, as you well said.

Mr. PANETTA. I agree with you on this point. But I wanted to hear from you about whether you believe—if we mandate workfare, as has been proposed by the administration in the last few years—whether you might find any problems with that?

Mr. CHARLES ATKINS. A whole host of things. But in my mind, primarily it just doesn't work. We have tried workfare programs here. They are a total waste of money. It becomes a revolving door.

As I mentioned before, 37 percent of the people placed into jobs during the previous administration's workfare program, only 37 percent were there after 30 days. The other people went back out in the street or came back on the welfare rolls.

The businesses don't like it because you are placing people into jobs who don't want to be there. They are not productive employees, turnover is high, it is bad for morale for their other staff.

By contrast, those business people who participated in this program—and we don't say we are sending you a former welfare recipient—this is anyone unemployed. For those businesses that know they are participating in this program, they have told us our clients turn out to be among their best employees, they turn out to be very motivated, because they have young families to support.

They cannot survive on public assistance. The only way out of poverty in this State, or any other State, is through a program like this. But again, by forcing people to do it, they are not going to be very happy about it, they are not going to be interested and not do very well.

On top of that, the numbers are such that even in Massachusetts, there are not enough jobs to go around for even the people who are looking for work, much less the people you force to get into a program like this.

So it makes no sense.

Mr. **Panetta**. What do you use to pay for the day care services you provide?

Mr. **Charles Atkins**. One hundred percent State funds.

Mr. **Panetta**. Nothing from the Federal Government?

Mr. **Charles Atkins**. Not for this program. We will spend $12 to $15 million this year out of our budget on day care. It turns out to be a critical piece.

Mr. **Panetta**. Congressman Emerson.

Mr. **Emerson**. I am not hung up on what we call it. I think you have a very fine program here. It is something we need to explore more and get some better ideas about. A lot of communities around the country do have good work programs.

I don't care if we call it workfare or some other term, as long as we are trying to get people out of the welfare syndrome and into some productive pursuits. That is what our real goal is.

It was interesting, when we went to San Diego, we found they have a program they call workfare. Everybody in San Diego loved it. We talked to liberals and conservatives and Republicans and Democrats and business people and labor people—everybody in San Diego loved it.

As a matter of fact, we could not find anybody in San Diego to say anything bad about it. We were looking for them. It was too good to be true. We went to Los Angeles, and they started telling us what was wrong with San Diego's workfare program.

So I think maybe different regions of the country have different ways they want to approach things. I really think our object is to get people off of welfare, to break that syndrome, move them forward.

In that regard, there was some reference there to job clubs in your statement. It sounded a little bit critical. One thing we have found in talking with people who belong to job clubs is that a lot of people, on welfare, tend to sit around their room or their apartment or whatever and they are depressed and not highly motivated.

Things just get worse. Whereas, in San Diego, where they did have to belong to a job club, most of the comments we heard were that this is a great thing, they got me out of the house, mixing around with other people.

The participants started picking up some ideas about jobs. There was a positive effect of people participating in job clubs. While it is probably not the end-all for people to belong to job clubs, at least it has something to do with the process of getting people out and looking for work.

Mr. **Charles Atkins**. As you said, I think it depends upon the location in the country and how the program is run. We are now running this program, trying to give people choices. Obviously, everyone on public assistance are not suited to be directly into a job.

That is my problem with that simple choice under workfare. A job club or job search, if that is all it does, won't suit the majority of our clients. Second, the way this program is run under the previous State administration here, I think is an example of how you don't want to see things run.

When we came into office a couple of years ago, what we found were job clubs in this State that were being run with no other purpose than to satisfy the Federal requirement of running people through this effort without a serious effort to get them into jobs.

For example, people were sitting in some of our major cities outside of Boston, and they were given the Yellow Pages for Boston and told as part of their job club exercise to call the Yellow Pages businesses in Boston to look for a job, with no means of transportation in from the other places.

They drove the businesses crazy in Boston, because they started with the A's and B's, then they got clever and ripped out of the Yellow Pages the alphabet, to pass it out and distribute the load a little bit.

We had a case of a woman who was told during the previous administration to read the obituaries and call up people whose jobs had opened up that she read about in the obituaries.

That is no way to run a jobs program.

Mr. **Panetta**. That is exactly the point that concerns me. If we were to build into law a mandate that basically followed everything you have got in your program, what you said works very well, and mandated that for the country, the problem is someplace, somewhere, people would say, boy, let's just do this thing, get rid of it.

It is so much dependent on the willingness and the dedication and the commitment of people to make these things work.

Mr. **Johnston**. It is also dependent on the commitment of the State to provide some State funds.

Mr. **Panetta**. That is right. And obviously, the resources that are there to make it happen. That is always the problem. I guess the frustration I have is how to develop something that is meaningful, that gets people to that point.

I don't know how to do it at the Federal levels unless you do it with a club or unless you do it with some kind of carrot.

Mr. **Charles Atkins**. We are missing incentives in the quality control program. We have no carrot to do, as Congressman Atkins got us to do, computer matches. We don't get incentives to go find errors, rewards for good work.

And the same thing on a program like this. Instead of what the administration has proposed of additional sanctions, if you don't get people to participate in job search, there ought to be incentives. And there ought to be rewards for bottom line performance of placing people into jobs at high wage rates and with high retention rates.

Instead, what the administration is talking about are inputs. You have to have 25 percent of the people fill out the silly forms in the first year, then 50, then 75 percent. You are just opening all the States up to misuse of a program like this, instead of offering them incentives for placing people into jobs—some bottom line performance kind of measures.

Mr. **Panetta**. Thank you.

Congressman Atkins.

Mr. **Chester Atkins**. Just one quick point, if I could—having worked with it at the State level to try and develop this program. There is a situation what we face now wherein the President's budget there is a mandatory requirement for, they call it, community work service.

And as I understand it, and I would like your comment on this, that program would totally destroy the program we have here in Massachusetts.

The success of our program has been that if you have somebody who is Hispanic, whose major bar in getting into work is that they don't have English as a second language, that that person can go through that program for a couple of months, then go into employment.

And it has worked here. Similarly, if someone doesn't have a high school equivalency, or needs to go into a job skills program or whatever.

I would like your comment on what will happen to the Massachusetts program if you are required to meet Federal requirements for input rather than an output-centered system that just asks you to have everybody fill something out and go through certain steps?

Will our program be able to continue to exist, will it make it more difficult?

Mr. **Charles Atkins**. Our program will come to a grinding halt, a dead stop, because the success of the program is that the word is getting out among our clients that a way out of poverty is to participate in ET. Again, it is not available for everyone.

We just don't have the resources to open it up to everyone. For a lot of people, they are just not ready yet to go to work. But for those people who are, they would no longer be able to participate in the program.

The reason is that we run the program under a waiver from the U.S. Department of Health and Human Services, we have a WIN demonstration grant that allows us to run the program this way.

The administration has proposed, in the President's budget, to eliminate the WIN Program and substitute these kinds of mandatory programs. This program would not look anything like that.

Mr. **Johnston**. It would be a disaster for Massachusetts.

Mr. **Chester Atkins**. Thank you.

Mr. **Panetta**. Let me thank you both. Let me just make this comment.

The great satisfaction of this is that there are people like you, committed to trying to make an effort, to make sense out of the system. There is no way we can build into law that can in fact create that kind of dedication and commitment.

I commend you for it. We are going to have a tough time in Washington to develop this. But I can assure you we will do everything possible to try to support you in the effort you are involved in.

Mr. **Johnston**. Thank you. A lot of it has to do with the political leadership in the State. We happen to work for a Governor who cares very deeply about these kinds of issues. I think that makes a difference.

Mr. **Panetta**. Thank you.

The next panel will be Jo-Ann Eccher, coordinator, Hunger Hotline, Boston, MA; J. Larry Brown, Ph.D., Harvard University School of Public Health and chairman, Physician Task Force on Hunger in America; and Deborah Frank, M.D., assistant professor of pediatrics, Boston University School of Medicine and director, Failure to Thrive Clinic, Boston City Hospital.

Welcome to the subcommittee.

Dr. Brown is a familiar face before the subcommittee. We take recognition of the report of the Physicians Task Force which came out this week, commend you for the time and commitment you and other physicians have contributed to in that effort.

I think we need that kind of focus on the problem. Obviously, there will always be quarrels with your facts—even the conclusions—by many. On the other hand, I think the ultimate conclusion you come to is that you have a serious problem on your hands.

I think whether you are looking at the President's commission on this issue, or whether you are looking at committee reports or the mayors or the Governors, each reaches that bottom-line conclusion: We have a serious problem on our hands.

To the extent that your report led in emphasizing that issue, we commend you. Welcome to the subcommittee.

STATEMENT OF JO-ANN ECCHER, COORDINATOR, PROJECT BREAD HUNGER HOTLINE

Ms. **Eccher**. As a public health nutritionist and coordinator of the Project Bread Hunger Hotline, I thank you for the opportunity to address the Committee on Agriculture on the realities of hunger in Boston; the paradox of low unemployment amid the staggering numbers served at the emergency food sites.

The Project Bread Hunger Hotline is an information, referral and advocacy center on food and hunger issues. We work with over 300 emergency food providers and we are recognized as a central location for antihunger advocacy especially around the Food Stamp Program.

In my testimony I will echo others documenting hunger. I will limit my remarks to the Hotline's advocacy efforts around the Food Stamp Program.

The city of Boston and the State of Massachusetts are enjoying economic recovery and record low unemployment. Yet the economic recovery is not benefiting everyone. Food pantry providers throughout Greater Boston are serving communities where people are unemployed or underemployed.

Presently, the 260 food pantries are serving 8,000 different families a month, an increase of over 80 percent in the past year. The number of pantries has increased 18 percent. Together with the 52 meal programs, soup kitchens, the pantries have served over 4.7 million meals in the past year.

I would like to go beyond that number and remember that every meal served is a person: it is a man, woman, child or family. And when that family is out of food, they often call the Hunger Hotline.

You always know when a mother needs food; she hesitates and sounds uncomfortable. She tells you she is trying to make the food last by diluting formula and feeding the children first.

I refer her to a food pantry as a temporary, emergency response. Then as a matter of justice, knowing a 3-day supply of donated groceries will not fill the stomachs of her children while she waits for the next paycheck or food stamps, I prescreen her for the Food Stamp Program. Through the prescreening, two basic scenarios develop.

The first scenario: The woman says her family, her, her husband who is working and their one child are on the Food Stamp Program, but like 40 percent of the people requesting food at the Hunger Hotline, their inadequate benefits of 47 cents per meal have been exhausted by the middle of the month.

The emphasis of the Food Stamp Program was to eliminate hunger and malnutrition by increasing food purchasing power. Yet this woman's food purchasing power has decreased by 20 percent in the past 10 years. To obtain a nutritionally adequate diet she will have to spend 40 percent of her income. In Boston, where families spend up to 70 to 80 percent of their income for housing, the numbers just do not add up.

How can this family obtain an adequate diet?

First, they need to receive adequate benefits to purchase a nutritionally adequate diet. Food stamp benefits should be increased 25 to 30 percent.

Second, in Boston a 0.5 percent vacancy rate for low-income apartments keeps rents high. The combined shelter/child care deduction of $125 is totally inappropriate for this family who pays the average $425 without heat for an apartment.

The assumption that this family has money remaining for food after they pay rent, utilities and child care is ludicrous. The combined shelter/child care deduction should be separated and then increased from $125 to $140.

Third, the gross income deduction should be restored to 20 percent.

The second scenario: The family is not on food stamps. This is not surprising since over 50 percent of the families prescreened by the Hunger Hotline are not on the program due to lack of information about food stamps.

Nationally 40 percent of the income eligible have been classified as the nonparticipating poor by members of the Presidents' Taskforce on Food Assistance.

Another reason may correlate with the fact that in Massachusetts in the past 4 years, there has been an 11 to 14 percent decline in food stamp participation coinciding with the Federal budget cuts.

When prescreening families, we need to anticipate a series of barriers that limit access to the program. These barriers are illustrated with actual calls to the Hunger Hotline.

First, gross income limits: A father calls, both he and his wife earn minimum wage, she works part time, they have one child. Even though after taxes and paying rent they only have $74 per week left for food, utilities, heat, medical expenses, they are over the income limit.

USDA family of three gross income limit for family of three is $917; this family gross is $967.

Second, household definition: A young woman with a child calls the Hotline. She has moved in with her parents. We find her ineligible for food stamps since her income, combined with her parents', make the household ineligible. There is no food in the house.

Third, resources/assets: An elderly woman calls the Hotline. She is income eligible but the $1,600 saved for funeral expenses keeps her off the program. There is no food in the house. Nonliquid assets are counted as well.

The unemployed family who calls finds that they must turn their nonliquid assets such as the car into cash to buy food. When I tell the father the car prevents him from the program, he says, "But we can't eat the car."

If we do find a household income and resource eligible, the complexity of the application, the frequent regulation changes and the emphasis on fraud may still prevent many from accessing the program.

Block granting the program and increasing the administrative cost to the States will not make this process any more equitable.

I have worked in the Third World—Mexico and Guatemala—and have spoken with women who spend the day scrounging for roots to feed their children. I can understand that, because they are living in a political system that refuses to take responsibility for the well-being of its people.

But at the Hunger Hotline when a mother calls who has spent the day searching for food, I cannot and will not accept that. Justice must be added to charity. Our Federal Government must accept the responsibility of assuring the nutritional well-being of all of its citizens.

Across the country, homeless individuals are being denied Food Stamps due to misinterpretation and misunderstanding of the regulations. Legislation should clarify the residency regulation for homeless and reemphasize that a household's eligibility cannot be denied solely because the household is homeless.

In addition, I have submitted testimony on the issue of the homeless and their right to receive food stamps, which I feel has to be clarified.

Thank you.

[The attachment follows:]

project bread
HUNGER HOTLINE
14 beacon street, room 608
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HUNGER IN BOSTON

Hunger in Boston is a sad reality. The combined effects of changes in federal policy, unemployment, lack of affordable housing and lack of access to benefit programs have resulted in long lines for emergency food-attesting to hunger at home. The statistics on hunger in Boston are merely a reflection of the demands placed on the the emergency food network and are not an absolute measure. The emergency food given to the hungry is a measure of the community's and the government's response and does not begin to define the perimeters of need. The statistics are not able to count those too proud, too afraid, too depressed, or to discouraged to ask for help or those cut from food and nutrition programs and those working poor whose meager incomes deny them access to the social service system. Low unemployment figures in Boston disguise the fact that the numbers of families getting their food at food pantries has increased over 80% in Boston in the past year.

POVERTY: The number one indicator of nutritional status in a community is income. Hunger is related to poverty, for the poverty line is that level of income which renders a family incapable of purchasing a nutritionally adequate diet. In Boston, 200,000 people live at, around or below poverty. That is 36% of the population! Not all these people are hungry but all are forced to decide what bill to pay this month. They need to make the difficult decisions of whether to pay the rent, the heat or to eat. All 200,000 are at risk of being undernourished.

FOOD PANTRIES: There are 120 food pantries in the City of Boston up 54% from 1983. These pantries which provide families with a three day supply of nonperishable groceries, are located in churches and social service agencies and some in the homes of families who use and operate them. Collectively the pantries are serving over 5100 families a month, ie 18,582 individuals, up 88% from last year.

SOUP KITCHENS: There are 27 soup kitchens in the City of Boston. Soup Kitchens offer not only meals but respite from the weather and isolation. These meal programs open to all in need are serving 21,195 guests a week in 1984 as compared to 12,905 per week in 1983. This represents an increase of 64% per week. Church affliliated non-profits operate the majority of the meal programs in the city.

HOUSING: People make choices: they have a limited amount of dollars. With a .5% vacancy rate for low income housing in Boston, with three year waits for housing certificates and seven year waits for public housing, families pay their rents before they eat.

FOOD PRICES: Low and moderate income groups face an ongoing struggle to meet the demands of food price inflation. Food and beverage prices in Boston rose 4% in 1984. In the past five years many of the chain supermarkets in Boston have closed leaving entire neighborhoods without access to low cost and nutritious foods for their families.

connecting community resources for the hungry **523-7010** 2/85

project bread
HUNGER HOTLINE
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INFANT MORTALITY

Federal budget reductions are undercutting social program which are instrumental in preventing infant deaths. Researchers at John's Hopkin and Harvard Medical Schools of Public Health report that a 20 year decline in infant deaths has ended; in fact 20 states including Massachusetts have seen increases in Infant Mortality. (Infant Mortality is the number of deaths per 1000 live births).

The infant mortality rate in the Mission Hill neighborhool of Boston is 50 deaths per 1000 births compared to a national average of 11. (Boston Globe 1984)

The infant mortality rate for non-white newborns in Boston resembles the rates found in the third world countries of Costa Rica and Trinidad.

Infant Mortality Table	Boston	Massachusetts	USA
1982 IMR/1000 live births	15.8	10.1	11.2
1982 White IMR	12.4	9.7	11.0
1982 Nonwhite IMR	26.2	21.8	21.4

(Boston City Hospital)

Infant mortality rates and statistics reflect the physical health of the general population: If a pregnant woman is not receiving adequate nutrition and medical care to ensure the health of her baby, are the other members of her family being similarily deprived? Hungry adults and children are unable to concentrate on work, school and other life task; they are frequently beset by illness and lack the necessary nutritional reserves to recover quickly. Women who receive enough food and medical care throughout pregnancy tend to have easier full-term pregnancies and shorter deliveries with fewer complications. Babies born at term and full-size will have fewer medical, social and intellectual difficulties later on in life. Healthy mothers and babies recover quickly from the trauma of childbirth, better able to begin their new lives together.

The infant mortality rate in Roxbury is 50% greater than the citywide rate. (BRA study of economic, housing and employment in the Dudley square are)

2/85

project bread
HUNGER HOTLINE
14 beacon street, room 608
boston, ma 02108

CHILD MALNUTRITION

Massachusetts Nutrition Survey/1983

Major Finding: Chronic Malnutrition is a significant public health problem in low income preschool children in Massachusetts. It is estimated that there may be between 10,000 and 17,500 chronically malnourished low income preschoolers in Massachusetts.

Implications: retarded growth
impaired learning ability
increased health problems

Children in Poverty

Telephone surveys of the emergency food pantries in the Boston are by the Hunger Hotline have indicated a large number of the recipients of emergency food are mothers with young children; which is not surprising since in Boston over 10,290 children under the age of five live in low income households.

Growth and Development Clinics

The Growth and Development Clinic at Boston City Hospital has seen over 60 children suffering from malnutrition since April 1984. Fifty percent of these children have had to be hospitalized.

2/85

connecting community resources for the hungry **523-7010**

(Additional attachments are held in the committee files.)

Mr. PANETTA. Thank you. Dr. Brown.

STATEMENT OF J. LARRY BROWN, MEMBER OF THE FACULTY, HARVARD SCHOOL OF PUBLIC HEALTH

Mr. BROWN. Mr. Chairman, Mr. Emerson, welcome to Boston.

I was under the impression you were here today for subcommittee hearings pertaining to food stamps and commodities. But after hearing some of the previous speakers, it is clear it is Chester Atkins' homecoming day. We are very proud to have him as one of our Congressmen.

We clearly have a significant hunger problem in the country, Mr. Chairman, as you correctly pointed out.

During the past 2 years, some 15 national studies have concluded that hunger is widespread and serious in America. During this same time, more than 24 States have documented hunger within the States of the Nation.

Earlier this week, the Physician Task Force on Hunger in America released the results of its year-long study of hunger and malnutrition in the Nation. The only such research conducted by a panel of physicians and nutrition experts, this study concluded that a minimum of 20 million American citizens experience hunger on a month-to-month basis, and that hunger is associated with a threat to the Nation's health.

The evidence revealed in all of the studies is clear and consistent: Hunger in America has returned, it has grown rapidly, and it threatens the health and well-being of vulnerable population groups.

From a legislative perspective, seldom, if ever, have elected officials and other policymakers had such clear, compelling and unanimous evidence by which to carry out your responsibilities.

Your subcommittee has jurisdiction for the Food Stamp Program. The primary purpose of this program is to eliminate hunger in America.

We clearly have a hunger problem. Thus, only two possible conclusions can be drawn: either the Food Stamp Program is not a good program, or it is not being used properly.

Over 15 years of experience has shown that the Food Stamp Program is a good program when fully used.

More recent evidence, however, shows that the program has been weakened at a time when it was needed most. This, in large measure, is why hunger is again widespread in America.

Two factors stand in the way of extending food stamp assistance to all citizens who are hungry and eligible. If we overcome these two factors, we can eliminate hunger in the country.

The first factor is that large numbers of impoverished citizens who are eligible for food stamps fail to receive them. Policies and practices keep them from being helped. First, let us look at the evidence of their numbers.

As of September 1984, participation in the Food Stamp Program had dropped to 19.8 million people. This number represents the lowest participation level since 1980.

This decline in food stamp levels is peculiar since most Americans in poverty are eligible for food stamps, and poverty has increased dramatically during the past several years.

At the end of 1983, some 35.3 million Americans lived in poverty, a larger rate and number than any year in the past two decades.

As poverty increased substantially, food stamp participation should have gone up correspondingly. Usually, some two-thirds of poor families get food stamps, so when poverty increased by 5 million from 1980 to 1982, over 3 million people should have been added to the Food Stamp Program. Instead, the number has actually declined to the point that in September 1984, 500,000 fewer people received food stamps than September 1980.

The obvious question that arises is why fewer people get food stamp assistance at a time in which poverty has skyrocketed.

One factor, of course, is the Omnibus Budget and Reconciliation Act [OBRA] of 1981, which restricted food stamp eligibility. Both USDA and CBO estimate that OBRA eliminated 1 million participants.

What then accounts for the other 2 million or more people?

We have found that a number of policies and practices keep otherwise needy and eligible people from receiving the benefits of the Food Stamp Program. I will enumerate several examples.

One, political rhetoric has been used to whip up an antirecipient climate. Prominent political leaders from Senators and Congressmen to the President himself have created a straw man in the so-called fraudulent food stamp recipient.

Referring to mythical "billions of dollars" lost due to abuse and fraud, political demogoguery is used to make the public think politicians are being frugal and tough on cheats. But the reality is different.

USDA quality control studies show that overpayments constitute about 6 to 6.5 percent of all food stamp payments. And this amount includes legitimate mistakes by applicants and workers. So the actual amount of fraud is even less.

Moreover, other USDA analyses show that 95 percent of food stamp households are eligible. The evidence is that there is less cheating among food stamp recipients than among the general public on income tax returns.

Nevertheless, some politicians pander to the fear of widespread cheating, and ignore areas where cheating and cost overruns probably range substantially higher than in the Food Stamp Program.

Two, recipients are belittled and made to feel like crooks.

The mood created by manipulation of public attitude leads to practices which hurt people whom the Food Stamp Program is supposed to help. We found bold red-and-white signs in food stamp offices which say, "WARNING: We prosecute food stamp recipients . . ."

Now, we would all agree that cheats should be caught and prosecuted. But consider the impact this practice has on poor and hungry people who already feel reluctant to apply for food stamps.

We do not see signs in IRS offices saying "WARNING: We prosecute taxpayers," or in the defense industry saying "WARNING: We prosecute cost overruns." It is not because some people do not cheat that this is not done; it is because most Americans are honest that we don't treat everybody like crooks.

Yet dignity and respect are denied poor Americans when they need these qualities, and this treatment, along with other practices, is part of the reason food stamp participation has gone down.

Three, procedural denials are used to deny aid to many needy people.

The USDA Food and Nutrition Service constantly changes regulations keeping food stamp workers and recipients in a state of turmoil.

Some 90 regulatory changes in 30 months, for example, led the director of the Illinois Welfare Department to observe that paperwork and red tape are so high that people have to be olympic pole vaulters to get over it.

Every time a new regulation is imposed, computers have to be reprogrammed and forms rewritten, staff retrained, and applicants reeducated as to the procedures. This constant turmoil leads many who are needy and eligible to violate some technical aspect of the application process—which itself may include 15 to 20 forms—and be denied assistance.

For example, a semiliterate mother may improperly complete a section and be refused help. This, in fact, is not uncommon, since the application process and the forms are considered by many to be as difficult as completing income tax forms.

In some States, in fact, legislators who have tried to complete food stamp forms could not do so correctly. Yet this imposing process is placed on some of the most needy families in America.

Four, effort rate sanctions are used in ways which hurt needy recipients.

Commissioner Atkins referred to this system some. I will cite examples.

Many State and local governments vehemently oppose the error rate targets the USDA has imposed on the States, rates which may result in financial penalties against the States themselves.

Error rates, however, are biased against recipients. Since error rates ultimately reflect individual recipients, let me give you an example.

Mrs. Smith comes to the food stamp office for the required review of her case. The worker notes that an employer has reported Mrs. Smith earned income which she failed to report to the food stamp worker; this omission leads to Mrs. Smith and her family being cut off food stamps even though she had no earned income.

Later it is learned that Mrs. Smith was correct: A keypunch error resulted in the income being attributed to her. Meanwhile, she and her family have been without food stamps for several weeks, and must now go through the laborious process to reapply.

Even though this family was denied its entitlement, the USDA does not consider this an error. If on the other hand, Mrs. Smith had gotten $5 too much due to a mistake, the USDA would count that as an error which could ultimately result in Federal sanctions against the State.

The imposition of sanctions only for errors in favor of the client creates an anticlient attitude. Workers aren't penalized for denying help when it is deserved, so when they are in doubt, they deny assistance. "When in doubt, deny" is the practice, because the Federal Government holds the purse strings, and this bias has created practices which hurt needy people.

Five, many food stamp recipients are pushed off the rolls even though they are eligible.

Monthly reporting and retrospective budgeting [MRRB] are two practices designed to eliminate fraud and errors. Instead, the evidence shows that by imposing greater amounts of paperwork, they actually lead to more worker and client error and do not save money overall.

MRRB practices, however, do hurt clients. One father, for example, cleaned a vacant lot and reported that he made $22 for doing so. But because his employer refused to give him a receipt, he could not verify his income and was cut off food stamps. His honesty led to his family going hungry.

Repeatedly, food stamp administrators in various States report that MRRB requirements lead to more paperwork, more errors, and fewer clients being served.

The name of the game, said one, is no longer serving the needy. It is saving money. Period.

These anticlient attitudes and practices, I believe, are major factors in declining food stamp participation even as poverty rises.

You will recall that similar biases and practices were used by administrative agencies against recipients of the Social Security Disability Insurance Program up until a year or so ago. This resulted in several hundred thousand people getting cut off the rolls.

Fortunately, Congress took action to force the administration to stop these practices against SSDI recipients. But similar practices are being used against recipients of food stamps and other programs at the present time.

The second factor standing in the way of a successful Food Stamp Program is its abject stinginess. Benefit levels tied to the Thrifty Food Plan, even in conjunction with AFDC payments, do not raise families to the poverty level in any State in the Nation.

The average food stamp benefit is 49 cents per person per meal, and all available evidence shows that food stamps—again, even in conjunction with AFDC—are not sufficient to adequately nourish a family.

Moreover, purchasing power of impoverished families is deteriorating rapidly. Food stamp families lost over 18 percent in purchasing power from 1975 to 1980. AFDC families lost 33 percent from 1970 to 1984.

Yet we somehow hold to the fiction that America has a safety net which reflects national compassion, and is adequate to help families withstand difficult economic times.

The recent development of soup lines in America stands as silent testimony to the fact that this is not true.

I would like to suggest that you, as members of this subcommittee, are responsible for seeing that the Food Stamp Program is adequate to feed hungry Americans.

When the administration used mean-spirited practices to cut disabled people from the SSDI Program, you and your colleagues stopped the practices. Now these same practices are being used against food stamp recipients, and you are responsible for warning congressional colleagues about them.

I respectfully suggest that you also are responsible for seeing that food stamp benefits are adequate to feed hungry Americans.

Hunger is an example of much that can go wrong in Washington. Some turn your backs on the problem because it is politically embarrassing. Others admit it is there, but say that "political reality" does not permit you to do much to end it.

As Members of Congress you are the reality. You create it and you can change it.

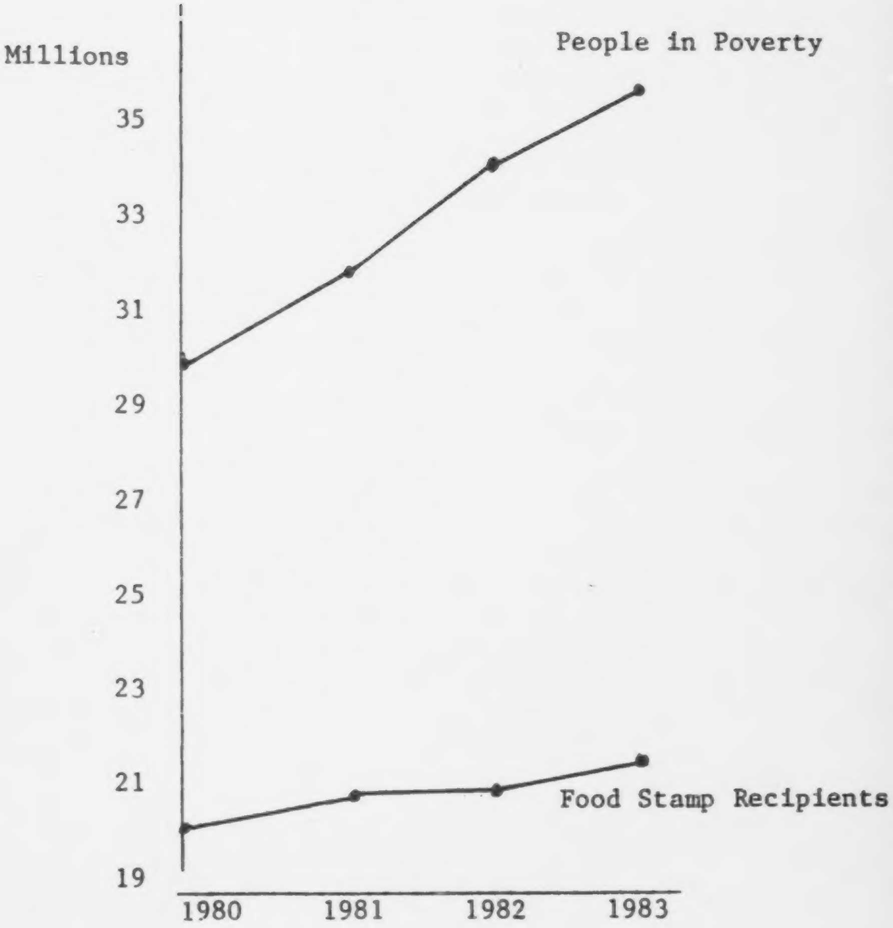
What we need is to hear less of political reality and to see more of political leadership. We need you to say "enough." Enough hunger. Enough posturing. Enough of the myth that we are a poor nation without the means to feed our people.

We need a profile in courage. We need elected officials who change political reality. We need you, as members of this important subcommittee, to do your job and end hunger in America.

Thank you, Mr. Chairman.

[The attachment follows:]

FOOD STAMP RECIPIENTS VS.
PEOPLE LIVING IN POVERTY



Sources: General Accounting Office; USDA
Exclusive of Puerto Rico

Mr. PANETTA. Thank you. Dr. Frank, you may proceed.

STATEMENT OF DEBORAH FRANK, M.D., ASSISTANT PROFESSOR OF PEDIATRICS, BOSTON UNIVERSITY SCHOOL OF MEDICINE; DIRECTOR, GROWTH AND DEVELOPMENT CLINIC, CHILD DEVELOPMENT UNIT, DEPARTMENT OF PEDIATRICS, BOSTON CITY HOSPITAL

Dr. FRANK. It will be easier to understand what I say if you follow the graphs.

My name is Dr. Deborah Frank. I am the director of the growth and development clinic at Boston City Hospital.

I am honored by the opportunity to address your subcommittee as you consider reauthorization of the Food Stamp and Commodity Distribution Programs.

These programs are of special concern to health professionals as they powerfully affect the lives of low-income children and their families—children who are served in the growth and development clinic which I direct at Boston City Hospital.

The work that I will present today is the result not only of my own experience but that of a dedicated group of physicians, social workers, nutritionists and nurses who work with me at Boston City Hospital and its neighborhood health centers in an effort to combat the growing health problem of childhood malnutrition among the children of the poor.

Senator Atkins, when he was our State senator, was instrumental in getting these clinics started.

Before outlining the findings of our clinic, I would like to explain to you how child health professionals define and classify malnutrition.

Malnutrition is defined as the loss of normal body composition or function resulting from sustained deficits in the quantity or quality of nutrient intake. Such malnutrition is not always obvious to the casual observer. Children may be seriously malnourished without resembling the pathetic waifs from the camps in Ethiopia.

Malnutrition is diagnosed by measuring the child's weight and height and comparing these measurements to the National Center for Health Statistics multiethnic norms for growth. It is not until such a comparison is made that a health professional may realize that a child who appears only a little thin is really seriously malnourished, because, for example, at the age of 27 months, the child has the weight of an 11½ month old.

Use of these growth grids also allow us to classify the severity of the child's nutritional condition based on well-established international criteria derived from comparison of the child's current weight to the ideal weight for age and sex.

Using these criteria, children with moderate to severe malnutrition—second or third degree—are in urgent jeopardy of acute medical complications and at high long-term developmental risk.

Children with mild—first degree—malnutrition are not in immediate mortal danger, but are at increased risk for later deficits in physical growth and cognitive development compared to normally nourished children of the same background.

Half of the malnourished children referred to suffer from the moderate to severe malnutrition at our hospital.

All degrees of malnutrition are of great concern to child health professionals. In addition to stunting a child's growth, malnutrition damages many less immediately visible systems.

Malnutrition which is severe enough to produce growth failure will also cause impairments in immune function, leaving a child more susceptible to infection and less able to recover from infections once acquired.

Each infection, in turn, increases the child's nutritional requirements and often decreases dietary intake, creating even more severe malnutrition and increased vulnerability to subsequent illness.

In addition, malnutrition increases the child's susceptibility to environmental toxins such as lead poisoning.

Most serious of all for the child's future potential are the effects of malnutrition upon the growth and development of the immature brain and thus upon the child's intelligence and behavior.

While increased vulnerability to infection and lead poisoning remit, once the child is reversed and recovers from malnutrition, the impact of malnutrition in earlier life upon later cognition and behavior may persist long after the acute malnutrition is reversed.

The mechanism of persistent developmental deficits following early malnutrition is complex. Current research suggests that from midprenatal life through the early preschool years, the brain has biosynthetic abilities it will never have again.

If the child is not provided with the nutritional building blocks for the synthesis of new brain tissue during the critical period of rapid brain growth, deficits in brain structure and function may occur that are not easily reversed by refeeding in later life.

The earlier the onset, the greater the weight deficit, and the longer the duration of malnutrition, the more disabling are developmental consequences.

Numerous studies from the United States and abroad show that, compared to better nourished children from the same impoverished environments, children who are inadequately nourished in early life demonstrate decreases in IQ at school age, increased incidence of attention deficit disorder—hyperactivity—and higher rates of school failure.

The needs of the rapidly growing brain in the infant and toddler are urgent. Prevention of malnutrition and rapid identification and treatment of malnutrition once it occurs are critical to protect children from both current and long-term damage to their growth, health, and mental development.

In light of what I have told you about the health consequences of malnutrition, it is not surprising that health officials in Massachusetts were alarmed to discover in 1983 that almost 10 percent of low-income children in Massachusetts showed physical evidence in their growth of chronic malnutrition.

In response to these findings, the Department of Public Health established a network of Failure to Thrive clinics to identify and treat childhood malnutrition across the State of Massachusetts.

I direct one such clinic at Boston City Hospital. Since our Growth and Development Clinic opened its doors in April 1984, we have served 60 malnourished children and their families. Of these 60 children, 50 have been newly diagnosed with malnutrition since the opening of the clinic less than a year ago.

To give you some basis of comparison, I was referred 17 malnourished children in 1982; 37 in 1983; and in the 10 months since April 1984, I and my colleagues have already evaluated 50 new cases.

What have we learned since our clinic opened its doors?

First, we have learned that hunger and malnutrition do not discriminate. The ethnic characteristics of our malnourished patients exactly parallel the ethnic classification of births in our hospital: 72 percent black, 14 percent white, and 14 percent Hispanic or other.

Second, we have found that, for many children referred to us, malnutrition began in the womb. Forty percent of these children suffered from low birth weight. This is not surprising since we know that 20 percent of our pregnant women receive less than three meals a day while they are pregnant.

Third, we have found that most of the malnutrition we see occurs in the period of most rapid brain growth. Although the children referred to us range in age from 3 weeks to 9 years, 80 percent present under the age of 3.

Finally, we have learned that serious malnutrition is not uncommon in this country. Half our patients fall into the category of the moderate to severe malnutrition described above.

How do these medical findings relate to Federal nutrition programs?

All 50 newly diagnosed malnourished children seen in our clinic since April 1984 come from low-income families, but only 54 percent are receiving food stamps.

Most of the families not receiving food stamps at the time their child presented with malnutrition would have been eligible in the past, but are no longer eligible because the housing shortage has forced them to move in with their extended families and they are disqualified under the current head-of-household regulations.

Some of the families not receiving food stamps have incomes from low-paying jobs or SSI, incomes which do not permit them to purchase an adequate diet for their child but do marginally exceed the eligibility limits for food stamp benefits.

A few of the families not receiving food stamps are eligible but had difficulty in negotiating the bureaucratic requirements necessary to obtain this benefit.

When we compare malnourished children from families receiving food stamps to those from families not receiving food stamps, a startling pattern emerges. Sixty percent of the children of families who do not receive food stamps suffer from moderate or severe malnutrition compared to 40 percent of those from families receiving food stamps at the time of diagnosis.

Although this finding must be interpreted with caution since it is based on a clinically referred population of children, all of whom suffer from some degree of malnutrition, it suggests that food stamps are an important but inadequate resource for protecting low-income children from the most severe ravages of nutritional deprivation. If I may be permitted a medical analogy, food stamps are good medicine but the available doses are inadequate.

In our clinic, once malnutrition is identified, nutritional treatment is prescribed. To regain normal growth and development, a malnourished child must receive not merely a normal diet for age but a diet that is one and one-half to two times that required by a well-nourished child of the same age.

Here again, the current structuring of benefit programs creates serious difficulties. As you know, there is no provision in the Food Stamp Program for increasing benefits to meet the increased nutritional needs imposed by age or medical conditions of children.

For this reason, among others, WIC is a very valuable adjunct for the prevention and treatment of malnutrition, but in our State can only serve 40 percent of the eligible. The 87 cents per meal per person provided by WIC and food stamps together is in some cases still inadequate to replete the nutritional deficits of our malnourished patients.

Families are well aware of this. I have seen a mother burst into tears after counseling by the nutritionist because she knew she could not afford the additional foods necessary for the nutritional resuscitation of her child.

I would like to make clear that the diets which we prescribe for these youngsters, while high in calories and protein, are not expensive. They are based on recipes derived in the Third World and, for children over the age of 1, depend largely on dry milk powder, oil and cheese. However, purchase of additional servings of even these relatively inexpensive foods are impossible for many of the families we see with limited food budgets.

In order to enable these families to give their children the prescribed diets, we often make referrals to commodity distribution and emergency food programs. In fact, 60 percent of the families seen in April have required such a referral.

Many families are extremely embarrased to participate in these programs but comply out of concern for the health of their children.

Moreover, the existing programs cannot always respond in a timely fashion to these children's increased nutritional needs since we have found that many emergency food sources run out of food at the end of each month; the same pre-paycheck or pre-benefit period when many of the families we see also run out of food.

In addition, emergency foods are not suited to the needs of infants under 1 year or to special medical conditions.

In conclusion, my clinical experience and that of many of my colleagues suggests that current economic conditions and Federal policies have placed many young children at risk not only of hunger but of malnutrition severe enough to impair their physical growth, their health, and their long-term developmental potential.

Both the food stamp and the commodity distribution programs are potentially important resources for preventing and treating nutritional deprivation in low-income children. However, at their current levels they are not fully adequate.

I can only urge you to expand these important programs to provide sufficient benefits for the entire population in need.

Today in my testimony and in many others, you have been bombarded by numbers. However, I would ask you to remember what health professionals can never forget, that for every number there is a name, a face, a body and a mind in desperate need.

The policies you evolve will eventually be inscribed not only in the books of law but upon the bodies and brains of American children.

Thank you very much.

Mr. **Panetta**. Thank you very much, Dr. Frank. I appreciate your testimony.

Let me ask you, the clinic that you developed, is that the first of its kind in Massachusetts?

Dr. **Frank**. There is a network of clinics that are State funded. Ours is, I think, the largest at the moment. But there are six or seven across the State.

They all started at once with the State funding, with the State nutrition funding.

Mr. **Panetta**. You began in 1982?

Dr. **Frank**. As a clinician, I was already seeing these children. I didn't have a formal outpatient clinic. I was consulting on the children who were hospitalized for malnutrition.

Mr. **Panetta**. How long have you been doing that?

Dr. **Frank**. Basically since 1980 when I started my fellowship.

Mr. **Panetta**. Could I ask you if in the period from 1980 and you experience in terms of dealing with these situations, are you noting an increase, a decrease, is it about the same, no improvement?

Dr. **Frank**. No. Again, I only have clinical impressions.

But one of the things that is striking is when I first started seeing these children, you could trace the problem not to lack of material resources but to serious family dysfunction. We still see that. But we now have just an overwhelming number of children where poverty is the main contributant, where lack of enough food to last you the month.

So that there has been an increase in the total number and an increase in the pattern, a change in the overall distribution of the kind of causes that we are seeing.

Mr. **Panetta**. For example, of the 60 malnourished children and their families that came in, of those, can you tell me how many were on food stamps?

Dr. **Frank**. I only talked about 50 who had been newly diagnosed, because the other 10 we had been working with for a while. Of those, 54 were getting food stamps.

Mr. **Panetta**. What was the problem in the 54 percent?

Dr. **Frank**. I just saw a case yesterday in Brockton. We also have a satellite clinic there.

The nurse showed me the growth grid and said, "We cannot budge this kid. Every month for the first 3 weeks after the food stamps arrive, she gains weight, and in the last week when the money runs out, she loses all the weight she gained in the first 3 weeks of the month."

So the food stamps alone, they are not adequate. Even the Thrifty Food plan is not based on families with young children. Most of the families we see run out by the second or third week of the month, and then often the children just don't get anything to eat, or what they get is of very low nutrient value. They have nothing but dry cereal or a can of peas for the whole day.

Mr. **Panetta**. Are the other families that you saw, the children that were not receiving food stamps, did any of those qualify for food stamps?

Dr. **Frank**. We have had some who do, and who were frightened off. Particularly people who have trouble with English, are semiliterate, or just scared of authority. We have had some who are eligible and scared away. And others are just above eligibility, but don't have the income to feed their children.

Mr. **Panetta**. How do you identify malnutrition in children?

Dr. **Frank**. We take a child and weigh them and take their height and find out their age, and then compare them to the National Center for Health Statistics graphs that I showed you which you standardized multiethnic—actually for use world round.

Mr. **Panetta**. And that gives you the definition that you are working with?

Dr. **Frank**. Yes.

Mr. **Panetta**. Let me ask Ms. Eccher, you have established this hotline on hunger. How long has that been in effect?

Ms. **Eccher**. December 1982 we started.

Mr. **Panetta**. Can you give me some indication of what your case was back in 1982 and what it is now?

Ms. **Eccher**. We really don't measure hunger by the number of phone calls we get in, because the problem is that the pantries run out of food, at the same time people are running out of their food stamps. So we do everything through the clinics, through the pantries, through the churches.

The way we measure the increase of hunger is—when Larry started his reports, we started to do monitoring of the food pantries and soup kitchens. Since 1982 to now, we have seen a 200-percent increase in the people being served at the food pantries alone.

In this past 12 months in the city of Boston alone, it increased 88 percent. In the soup kitchens we see the same thing.

But I can tell you last year at the Hunger Hotline, especially in the month of February, a lot of people might have gotten food during Christmas, and therefore they are not eligible for a lot of food from other pantries for another 3 months, until March. But February still was quite a time for us for some reason—a short month.

This month we have already broken over 400 calls, a majority of those regarding food stamps and requests for food, simply because people, even if they are working, they are underemployed.

If a father is working at the Westin Hotel in Boston, he is only making minimum wage, his yearly income could be over $5,700, and he just doesn't get enough food to feed his family.

Mr. **Panetta**. Again a question I have asked the others with regards to the economic situation in the city and in the State, which obviously is pretty good, at least in statistical numbers. And yet, you have a developing problem.

Is it your perception that that is a result of underemployment?

Ms. **Eccher**. I think a lot of it has to do with underemployment. Lots of people call the Hunger Hotline who are doing part-time work, 30-hour work, 25-hour work. They do want to work.

We have another segment, if you look in neighborhoods, where you do have 50 percent unemployment with certain minority youth populations.

So I think we have to look at population groups and at different segments in the society.

I think if you look in the middle part of the State, there are groups of people in that part of the State who have been out of work for a long period of time. A MacDonald's opened in Framingham and people want to work so hard that they commute on a van provided by MacDonald's to go back and forth—it is a 3-hour commute both ways, together—so they can make minimum wage.

So I think people in Massachusetts want to work, but the jobs they do get, they are underemployed. I think that also the other reason the economic recovery is not working is that some people during the last 4 years were pushed so far through that safety net that they cannot get up anymore. I think there is a certain number of people that the economic recovery is helping, but I don't believe those people were ever hungry to begin with.

Mr. PANETTA. Thank you.

Dr. Brown, obviously you have been focusing on this issue over a long period of time. I guess what I have to say is more in the line of a comment than a question. But I will let you react to it.

I don't disagree with a lot of your conclusions in your report: the fact that hunger in America is getting worse, not better; that malnutrition and ill health are associated with hunger; that the present policies are not alleviating hunger. I think that is true, too.

I am concerned about one which says that hunger is the result of Federal Government policies. The concern I have—I am not disagreeing with the fact that obviously our policies certainly, large-scale reductions contribute to the problem. But I think even the testimony here has shown that hunger in our country is a little more complex than that.

It is a result of State policies, of deinstitutionalizing, the housing shortage that you have in Boston. It is a problem of administrators, too. You can provide all the money in the world to a program like this, and if you have insensitive people who operate these programs, you would still have that kind of situation.

My concern is that I think those things need to be addressed as well. While resources from the Federal level are important, we are seeking a solution that is very dependent on local, private sector, and State government officials creating a partnership to deal with this problem.

The other thing I would like to get your comment on, what happened with this program over the last 10 years? You are right; it became a target, and there was a real backlash to the Food Stamp Program for a number of reasons. A part of the reason was related to concerns about error rates and sanctions and what have you, the development of fraud.

I agree with you; it wasn't as gross as what some people have portrayed. But it was there. And unless we in some way focus on improving the administration of that program as well, so that those things don't happen, very frankly we will lose that kind of support we need to maintain the program.

You cannot just look at this program in terms of expanding benefits without improving the administration of the program. You just cannot do that. Because we control another $6- or $7- or $8 billion in this program, and, as I said, if there are not people who are sensitive, as there were here at the table just before you who know how to deliver, make it work, and know on a person-to-person basis we are dealing with human beings, you can throw all the money you want at this program and it will not help the hunger situation.

So I think it is important for you in the context of this kind of report to give us some guidance as to how you improve the administration of this program, too.

Mr. BROWN. Congressman, I appreciate the fact that there are complications to the hunger problem, like any other problem. I suspect that you and I disagree as to how complicated it is. But that is a disagreement among people like you and Mr. Emerson and myself and others, all of whom want to end hunger.

We can have a housing problem in the United States, as you referred to, and have severe poverty in the United States and still eliminate hunger.

As you know, during the decade of the 1970's, when the Food Stamp Program was expanded and school lunch and breakfast and the WIC Program and Elderly Feeding Program, in order to deal with what was found to be a severe hunger problem in the late 1960's, we didn't do a heck of a lot to eliminate poverty in this country. But we basically eliminated hunger. That didn't mean it was totally gone, but as a serious problem.

So one can eliminate hunger without getting at these vexing questions which are more complicated.

I believe, too, that another point I would make in response to your comments are that we know that, from our experience and from our resources, that we can end hunger. The Food Stamp Program should be strengthened.

Any fraud we know about should be ferreted out. And fraudulent people should be put in jail, from my perspective, because they take money away from people who need it.

On the other hand, if you will indulge me a bit, it seems to me from the perspective of a citizen looking at Congress, there is altogether too much rhetoric and focus on poor people's programs which builds into the myth that show, because people are poor, they are crooks or fraudulent.

I think that the Congress has probably done a good deal to sensitize States to error rates and to fraud. I think it is time, however, that you look at the excesses of these efforts, and see how they are punishing people who need help.

I would humbly request that you direct some of your attention that you have directed at this issue in the past to other areas in our Government where there is fraud and cost overruns, where you will probably save more money and make more available for poor people.

Mr. PANETTA. I don't disagree with looking at other areas as well. I think you are absolutely right—including a major area, the Pentagon.

But it seems to me that in putting legislation together that it is essential, as part of that approach, that this area not be ignored, and in what we did in H.R. 5151—and I recognize that it is not—we never identified it as the ultimate solution. We said it was an emergency effort to try to deal with immediate needs.

And yet, by fashioning the kind of package we were able to fashion, we got an enormous bipartisan vote on the House side. Still ran into a block on the Senate side. But we were able to get that kind of bipartisan support.

So I think it is important for our purposes to make sure that we address all those elements in a fair and balanced way.

I agree with you; it shouldn't all just be on one target. I think you have to provide that kind of balance if we are going to get what needs to be done through.

Bill.

Mr. **Emerson**. Thank you, Mr. Chairman.

I think I will just associate myself with your remarks. I think you have stated well the legitimate concerns that we are always trying to address in this subcommittee.

I want to say that I don't note in Congress or elsewhere, Dr. Brown, this mean-spirited attitude—you use that phrase in your report. Most of the people I know who are trying to deal with the subject, they are trying to do so very sensitively.

Maybe some people know more about it than others or have a higher level of understanding. But I don't know anyone involved in this subject really who is trying to be mean spirited. We are really trying, I think, to do what is responsible.

Now, you may not consider what we do as being responsible, and that is your prerogative. You talk about there being too much rhetoric focused on this issue. You indulge in quite a bit of rhetoric yourself and while I think maybe we have a case here of the pot calling the kettle black.

I am going to read your report. I think there is a lot of good material in it, but I am going to reserve to my own judgment, certainly my conclusions, about what you call facts. I will take your recommendations into account along with those of a lot of other experts on this subject.

Thank you.

Mr. **Panetta**. Chet.

Mr. **Atkins**. Just one question for Dr. Frank.

Dr. Frank, of the people who have served in your failure to thrive clinic and then have been discharged from the clinic, what have you done in terms of making sure that those children have adequate nutrition after they leave your clinic?

And have you had cases where people have been discharged from the clinic and then readmitted because of lack of adequacy of food stamp resources or other things?

Dr. **Frank**. We actually haven't discharged anybody yet, because we are following all children for at least a year, because of the long-term developmental consequences.

We certainly had families where we had a child growing again, and then they lose benefits for some reason, and the kid goes crashing off the growth curve.

Mr. **Atkins**. Has that been fairly frequent?

Dr. **Frank**. I could not give you an exact number. We certainly have documented cases.

You work so hard for every pound, and then 1 month, because of some bureaucratic foul-up, like Dr. Brown describes, and all your work goes out the window.

Mr. ATKINS. Thank you.

Mr. PANETTA. Dr. Brown, if I could just ask you one question, because it is a major focus of your conclusion.

You said there were some 20 million people who go hungry at some point every month. Could you describe how you reached that conclusion?

It would be important for the record.

Mr. BROWN. There is an appendix in our report which shows in detail the methodology. You may wish to enter that into the record.

Beyond that, I will just say now that we don't know, nor does anyone else, how many people are hungry. That doesn't mean we don't know the exact number. We don't know within a matter of 2 or 3 or 4 million people. As people in the field of medicine and public health, we were looking at it from an epidemiological perspective, trying to get some sense of the dimensions of the problem.

The best way to know how severe the hunger problem is in the United States is to have our Federal Government and usually conduct a nutrition surveillance survey, like other industrialized nations do.

President Nixon called for that in 1969 at the conclusion of the White House Conference on Food and Nutrition and Health at Tufts. We believe our Government still should do that.

Then we can eliminate what we have had during the past few years, and that is an argument about whether hunger is a problem—before we get to the conclusion that we know it is and needs to be dealt with.

What we have done then in the failure of our Federal Government to respond with this annualized kind of program would be to look at the epidemiology, at the population groups at risk of hunger. As you know perhaps better than I do, our poverty level in this Nation is tied directly to the ability to purchase an adequate nutritional food supply.

What we did was to look at the numbers of people, the gap between people in poverty, and the numbers actually receiving food stamps.

Second, we looked at the people receiving food stamps and the surveys that are done indicating how many of them run out of food each month.

Again, if you refer to the methodology, you will see that every time that we were faced with an assumptive decision to make, we assumed the more conservative figures. Sometimes we even cut those in half.

So the bottom line is, we don't know. But we think that the range is generally what we laid out.

And interestingly enough, the national Lou Harris poll conducted last year concluded, within a margin of error of 4 percent, that there were more hungry Americans than we concluded.

So we think it is quite severe, even if people say our numbers are too high or too low.

Mr. PANETTA. We will enter that in the record.

[The report of the Physician Task Force on Hunger in America is held in the committee files.]

Mr. PANETTA. Thank you very much. We appreciate all the members of the panel testifying.

I think we can proceed now with the testimony of Margaret Randall, the State program leader, Expanded Food and Nutrition Education Program.

STATEMENT OF MARGARET RANDALL, STATE PROGRAM LEADER, EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM, AMHERST, MA, ACCOMPANIED BY MARY TOTH, EFNEP SUPERVISOR, WORCESTER, MA; AND BONITA HATHAWAY, EFNEP SUPERVISOR, FITCHBURG-LEOMINSTER, MA

Ms. RANDALL. Thank you, Mr. Chairman.

We are very appreciative of the opportunity to meet with you. We are going to do our best to keep within this time frame, too.

As you hear me speaking at first, you will notice there are a number of generalities, but there are hard data as we proceed through the fuller testimony which we will have for the record.

The information we present will contain some substantive accomplishments of EFNEP, as we do what we can to alleviating hunger through nutrition education.

I am Margaret Randall and these two folks on my right and left are professional staff members who are conducting EFNEP programs within the State.

The following four principles underlie all of our comments.

One, we recognize the Food Stamp Program and the many other programs which provide food access as elements in the struggle against hunger and poverty.

Two, food programs and nutrition education go hand-in-hand and enhance each other's functions.

Three, EFNEP is a small but effective nationwide nutrition education program that serves low-income clients. In Massachusetts, 70 percent of our clientele are food stamp recipients, 34 percent are WIC participants, and untold numbers use commodity foods, food pantries, and food banks. We fight poverty through education, and have been doing so for 16 years.

Four, we are strong promoters of production agriculture as consumers of American-grown foods and as teachers who advocate healthful food and nutrition practices.

Though I speak only for Massachusetts, please consider us as typical of EFNEP programs conducted throughout the United States and especially the Northeast.

EFNEP is a major outreach program of the University of Massachusetts Cooperative Extension Service and cooperating country extension services. It serves low-income families and children, providing the vital nutrition education complement to food assistance programs.

Since 1969, Massachusetts EFNEP has been successful in helping more than 46,000 families and 219,000 children to more effectively improve their daily diets. EFNEP teaches skills that last a lifetime.

EFNEP works to improve diets of homemakers. We know that homemakers eat less than their families, yet an analyisis of 1984 food recalls taken at 6-month intervals show important gains in their daily consumption of the basic four food groups. These levels were sustained or increased during their time in the program.

Despite this, we also know from our 1984 study, many Massachusetts homemakers are found to be at high nutritional risk for five nutrients: vitamin B6, folacin, iron, magnesium, and zinc. So our work is not done.

EFNEP works to increase and maintain nutrition knowledge and practices. Significant changes and retention of both knowledge and behaviors were documented in a sample of 325 Massachusetts families who were part of a National Food Stamp Nutrition Education Study completed in 1984.

EFNEP families learn to manage food resources. To quote a graduated homemaker:

> The EFNEP aide taught me how to save money on groceries and eat better for less . . . I learned to use my food stamps more wisely . . . when my husband was laid off and there was no money coming in, it was a great relief to know we would not starve.

EFNEP's methods reflect both tradition and innovation, to improve efficiency. Among the variety of methods we currently use are small group—usually 2 to 15 members—a mailcourse, volunteer teaching, some media work and the traditional one-to-one.

In the Worcester unit, 49 percent of its families are taught in groups: refugees, pregnant teens, school-age moms, alcoholic women and others.

Let me quickly describe the work with refugees in a resettlement program.

The focus in this group is how to integrate a lifelong culture into a new society where the language, the land, the people, and, most importantly, the food and its availability are all so very different.

Countries of origin vary, but the problems each homemaker faces are remarkably similar. Severe lack of income only compounds the situation.

An example: Some Vietnamese women in the group were aware that they were eligible for free cheese, but they didn't bother and even though their food was severely limited. Why? Because they didn't know what to do with this item, so foreign to their diet. EFNEP staff showed them ways to use the cheese, as you would know.

This kind of adjustment, through education, has always been a main thrust of EFNEP's teaching, and the need is certainly still there.

Curriculum methods are current and responsive to program families' needs. We have adopted a series of 12 basic lessons that all families are taught, with varying emphasis, depending on individual or group needs.

That core is further enhanced by additional educational experiences designed to meet particular situations. Among the special needs that are addressed by local staff in their teaching: breastfeeding, nutrition in pregnancy, gardening and food preservation, use of picture language for those with limited reading skills, and weight control.

An example is seen in the story of a program homemaker in the Leominster unit. Upon learning she was pregnant, the homemaker chose to omit alcohol from her diet because of the education and support given by the nutrition aid. Prior to her pregnancy she was a heavy drinker and was looking forward to her first highball after the baby was born.

Still, the nutrition aide used this as the teachable moment to educate the homemaker about the nutritional benefits of breastfeeding her baby. The homemaker made the decision not to drink and to breastfeed her baby for 6 months.

Positive relationships with community agencies are our lifeblood and the lifeline of families in need. Promotion of this activity must occur from the Federal level on down to the local level if we are to be successful.

Three special efforts at statewide interagency cooperation include: One, seven shared-cost recruitment and awareness mailings with the State Food Stamp Program and project good health, both in the State welfare department.

Two, production and distribution of a cook book featuring good nutrition practices and commidity foods. This is done with the bureau of school food services and project good health.

Three, in conjunction with the State WIC office, a computerized, statistically reliable needs assessment using public health data was prepared at no cost to us.

We provide access for low-income families to nutrition education, and thus access to healthier life styles, better managed resources and a way to become more self-sufficient.

In 1979, the U.S. Congress directed that an independent evaluation of EFNEP be conducted to determine its effectiveness.

Results of that study showed that: EFNEP has been and continues to be effective in targeting funds and services in areas of greatest need; homemakers who remain in the program show improvement in food and nutrition knowledge, skills and practices.

Since that time, we have become even more efficient and effective. Many of us have not waited for national program directives to strengthen our programs and have already undertaken important new initiatives. EFNEP is a dynamic program, meeting needs of many people.

One further comment concerns the potential impact of the proposed elimination of EFNEP from the Federal budget. I speak only for Massachusetts, and for us it would be devastating.

Our current extension budget is already totally committed to specific programs. There is no slack.

Though State legislators are supportive of food and nutrition, the State budget for 1986 is already being debated. Realistically, we would be one of many agencies requesting new State assistance.

Further, this loss would actually be greater than the actual amount of the allocation because of the private contributions, the free rent, the demonstration materials, and the voluntary contribution which was $36,000 last year, converted to wages and so forth.

In conclusion, and on a more philosophical, even optimistic, note, I share with you an old Chinese proverb that provides wisdom in considering issues at hand and serves as a precept for us in EFNEP: "If you give a man a fish, you feed him for a day. If you teach a man to fish, you feed him for a lifetime." EFNEP's job is to teach homemakers to fish.

Thank you.

Mr. **Panetta**. Thank you.

Did you wish to comment?

STATEMENT OF MARY TOTH, SUPERVISOR, EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM, WORCESTER, MA

Ms. **Toth**. I don't have written testimony to give, but I have numerous things I would like to say.

One is to deal specifically with the issue of the private sector and how it is contributing.

Also to mention the fact that I really believe people are good, and I believe people are kind, and I don't think people really like to see others hungry.

My experience in EFNEP would indicate, and also my life experience would indicate, that we tend to respond first to those issues that are most closely associated with our own background and our experience.

If we have deaf children, we contribute to those who support progress in the way of deafness. If we have retarded children, the same there. We all know that when people with a lot of money have a certain issue that is close to them, that is where those dollars go.

My experience would indicate that in the neighborhoods, the people who are volunteering their help with other people are poor already. These are the people who can relate to hunger. These are the people who have been there.

Our programs works through nutrition aides who work out in the community. These paraprofessionals are indigenous to the community. They have been hungry. They have learned to stretch their food dollars. They know how to make those food stamps go from the second week of the month to the end of the month.

I don't know if our resources are too limited. I really cannot say that.

But I can say that without additional knowledge and skills, those resources are useless.

Resources are only one-third of the problem. Many agencies provide nutrition education. Many are funded to give that extra help along with the resources that are there.

I believe that EFNEP is unique in that in addition to helping people use the resources, such as food stamps, the commodity foods, the WIC Program, the neighborhood agencies that we have, I believe that we are unique in sending people who actually have been there and who can relate to teach the skills that must be—that is the third component of that, the resources, the knowledge, and the skills.

I would agree that the private sector is contributing. But the resources have been reduced to the point where they just do not go where they used to. And the people who are helping in the area of hunger are those who either are marginally hungry or have been hungry a short time ago. So we have the poor helping the poor.

Mr. **Panetta**. Ms. Hathaway.

Ms. **Hathaway**. I think Ms. Randall and Ms. Toth have covered most of the information.

Just my own point of view, if you are talking about hunger, a good example in my own unit, in our area, which is No. 13 of the worse places to live in the United States. We have been referring so many people to a church pantry, they said, "Well, we might as well give you the key."

Also the fact that we hire people indigenous to the community, that have graduated from the program. Two of my staff members were program homemakers.

Mr. PANETTA. Thank you all very much for your testimony.

Let me say that I think if there is one issue that we have agreement on it is the issue of improving nutrition information that is provided to people that receive these benefits.

I don't think there is any question that there has to be an adjunct to benefits that are provided. The best example of that we have found time and time again has been with the WIC Program and how it has incorporated nutrition education into that entire program. We have seen it. It works. And it is the best thing going.

What you are trying to do in EFNEP is to implement that in other areas.

If I can somehow incorporate a nutrition adjunct tc the Food Stamp Program in a meaningful way—we are struggling to try to find that.

We did it a little bit in H.R. 5151 by providing additional resources that would flow to organizations like yours and extension services to try to provide that nutrition education.

The one area I was particularly concerned about was the elimination of the money for the EFNEP budget. You can put all you want into the Food Stamp Program, but if people don't understand how to use it in a beneficial way, it is not going to be of much service.

So I commend you for the work you are doing.

I want to assure you that our subcommittee has been very supportive of the efforts that you are doing at the local level, and we will continue to be supportive.

Let me ask you, in terms of the program right now, is there any way that you can measure how the EFNEP program has in effect improved the nutritional intake of low-income families?

Is there a statistical way you can actually measure that impact?

Ms. HATHAWAY. Yes; in fact, it was alluded to previously. It is that we do calls on the homemakers. We know that the children usually eat better than the homemakers.

What we have found in 1984, when we reviewed over 1,700 families' records, is that only 4 percent of those families in the beginning, when they enrolled in EFNEP, were getting the recommended servings from the different food groups.

Over an 18-month period, we were seeing an increase so that about 31 percent of the families now were getting the recommended servings in the four food groups, which still goes to the fact that two thirds are still a problem.

And again, we are dealing with the food only for the homemaker. At this point, we don't look at the intake of the children per se. We see it, but it is not measured.

Mr. PANETTA. What would be the best way to coordinate EFNEP or nutritional information with the Food Stamp Program?

Ms. **Toth**. Certainly, in the city of Worcester, where I am from, we have a very tight network of agencies that are working together.

I believe our community, through the United Way and through just the fact that many of us know one another who are in social services and human services, I believe that our community mandates that agencies cooperate. And because of that, I think Worcester is unique in that we are reaching far more people more easily with nutrition education.

Currently, we work in groups, which is often difficult because of the turf problems that result—"This is my area, and we don't want you in it." We don't have that there to the same extent many others do.

Part of it is because it is mandated through our United Way that agencies must work together, and dollars are certainly attached to working together. It is an incentive, the incentive we were talking about.

When agencies work together, the dollars come more easily and quickly. If they do not, you are out. I think that encouraging agencies such as food stamps to actually send out mailings to their recipients—because the names cannot be given to us because of confidentialty and that sort of thing.

People want the education. Recently, we advertised for free nutrition training. Bonnie and I both had every slot filled with people dying to take that training, and they fit the guidance of the people that we work with. They were low income. Some of them had very minimal English language skills.

If agencies are required to, or given incentives—let's put it that way, because I think that is more appropriate—to work with other agencies and you tie those dollars, you get more money for working with agencies, I believe that will help that enormously.

Mr. **Panetta**. God bless you. Maybe we need a mandate at the Federal level that everybody work together. That would be a great improvement.

We ran into that in Chicago, where people were being shoved to one office to get one set of benefits, to another office for another set, to another office for a third set. In fact, there was no coordination, and people wound up falling between the cracks in that process.

Some way we have to eventually put that together in some kind of umbrella fashion, I think that is crucial.

Ms. **Randall**. I would add one thing. The cooperative extension service is traditionally known as the educational arm of USDA.

We have skills. We have the knowledge base at the land grant college. You know that whole connection very well. I think if the extension services connected with it in some way, that could be very helpful.

I think it would be essential, though, that EFNEP be named as an important partner in that, just because we probably have more experience in dealing with low-income audiences, preparing materials, working in various delivery modes and just kind of knowing the system and so forth, as to how it could work.

Mr. **Panetta**. Bill.

Mr. **Emerson**. Thank you very much.

Mr. PANETTA. Thank you all very much for your testimony.

We will recess at this point. We are going to St. Francis House to see their soup kitchen program. Then we will resume the hearing this afternoon at 1 o'clock.

The hearing is recessed.

[Whereupon, at 12:05 p.m., the subcommittee recessed, to reconvene at 1 p.m., this same day.]

AFTERNOON SESSION

Mr. PANETTA. The meeting of the Domestic Marketing, Consumer Relations, and Nutrition Subcommittee is now in order again.

First of all, before proceeding further, we will insert into the record a statement by Representative Barney Frank which he has asked us to insert into the record on his behalf. Without objection, we will do that.

[The prepared statement of Mr. Frank appears at the conclusion of the hearing.]

Mr. PANETTA. The next panel is Rosemary Wahlberg, executive director of the Quincy Community Action Organization, Inc., Quincy, Mass. She will be accompanied by Mary Brelsford, director of Community Projects, Mary Haywood, Donna Delaney, and Diane Allen. Thank you very much for coming.

We appreciate your taking the time to do this. As you know, we are here for the purpose of trying to hear from the communities as to the extent of the problem of hunger, and to try to do what we can at the Federal level to assist in that effort. On that basis we welcome you.

STATEMENT OF ROSEMARY WAHLBERG, EXECUTIVE DIRECTOR, QUINCY COMMUNITY ACTION ORGANIZATION, INC., QUINCY, MA

Ms. WAHLBERG. Thank you, Mr. Chairman, Mr. Emerson.

I would just like to say, before I read my prepared remarks, that I very much support the Expanded Food and Nutrition Education Program, because I am a former graduate of that particular program. I always like to tell people that the U.S. Government and the marines gave my brothers 4 years' travel and also the G.I. bill that sent them on to college, but they gave me the Expanded Food and Nutrition Education Program.

I was living with eight children in a public housing project and was able to go out and educate other women like myself. I thought it was a wonderful program. It was wonderful for the people who participated, who had an opportunity to learn from the extension service and to interface with people at the college level.

So there was a lot of growth and development for the program aides, as well as the people that were taught. I think that is something people don't always realize, that there was a multiplying effect of that program for the individual who worked in it as well as those served.

I am a director of a community action agency in a suburban and community just south of Boston. It is Quincy, MA. It is a working-class community, with a population of about 85,000, basically a white community, blue collar.

We have good employment statistics, but we have had an irony, that you have been listening to, and that is that while the economy of Massachusetts is getting better, we at the neighborhood level and in community action are seeing people who are much worse situated than they were 5 or 6 years ago. In the last 16 months we have had more homeless than we have ever had before. We have had 39 elderly senior citizens that we have had to house in that 16-month period.

In just January of this year we have had 90 families come into the center who are homeless. In February there were 63 families that were helped who were homeless. So while the good economy of Massachusetts has been helping some, the very poor and those who are women alone, raising children, the working poor couple and the elderly have been finding it impossible to compete with the upwardly mobile young professionals.

An example in Quincy is a young man able to earn a minimum of $150 with no family and no roommates. If he goes to find a room at the YMCA, it costs $97 a week. Since he only clears $132, it leaves very little for food. Those are the young men that we are seeing in the shelters, and eating at what we call the "free restaurant." We call it that in order to provide the individuals who eat there with a dignified and caring atmosphere. But it is a horror, I think in this country that we are feeding women and children in an environment like that.

In Quincy we have nice public housing for families, and people who used to live there until their children grew up, something like myself, are no longer moving out of public housing because the private market is so expensive that people are staying. So there isn't anyplace for the new poor to come in to get an opportunty to stabilize and move out. People are staying for longer periods of time.

So for the first time since the establishment of Quincy Public Housing there are no vacancies. So poor families are finding it impossible to save the needed down payment to buy a home and the cost of the private market is just too much for them to have anything left over for food.

So it is those young families and those very old who must pay the $400 a month for rent, the $1,200 a year for the oil, and the $300 a year for utilities.

Now the communities that we serve are part of Norfolk County in Massachusetts. Norfolk County is Quincy and the 27 towns. When people sit down to determine and compute the unemployment and the poverty figures, statistics for our area always look good because we have some of the wealthiest towns in Massachusetts in that county.

Therefore we oftentimes, while we have large numbers of homeless I have told you about, we did not get any of the Federal emergency money. The same thing happened at Cape Cod, with the largest amount of homeless, they were not computed—their statistics did not show that, because they have such a large retirement population and therefore they got no Federal emergency money either.

Ironically, we find more homeless poor coming from our affluent community than some of the poor ones. Families hit with family crises are driven out, and they cannot compete with young professionals having two working members of their household or have roommates. And it is putting a lot of pressure. In our community we have a shipyard. We all were happy. We heard the shipyard got some contracts. What it did was to attract to our area from southeastern Massachusetts all of the gentlemen who needed work and it put an incredible stress on our room rents. They just skyrocketed, and the people who earned their living working in hospitals or maintenance workers were just driven out of those rooms. So it is an irony, that while things get better for some, it gets worse for others.

Our community center began in 1981 to see an increase in families asking for direct help with their weekly food supplies. We have brought some of those experts to speak to you today. We are now serving 126 families a month with monthly food orders. These families come because they are the working poor and they receive no assistance, and all they have is the paycheck.

This is being eaten up with the housing costs, the transportation, day care—you heard earlier eloquent discussion of how good the day care is in Massachusetts, and it is, but if you cannot, if you are one of those who are unfortunate enough not to be able to get into a State subsidized day care slot, it costs $90 a week for day care. The out-of-pocket medical expenses are tremendous on this population.

So the families we have been seeing are the elderly, some of those are the mentally ill, the general relief recipients, some of the retired adults who live on their own, who need a lot of support, families caught with catastrophic illness, or unemployment. In 1983 a group of volunteers employed by our community action agency and the board president decided to make a hot meal for seven borders, roomers who didn't have any cooking facilities.

So the seven people showed up and everybody enjoyed it. The volunteers felt good, and the people who were served were happy. So they decided to do it the following week. There was about 14 that showed up. We now run a free restaurant, 2 nights a week, for this population. It is still running with volunteers. Our staff works all day, and then volunteers at night to do this.

The amount of families seeking help continues to escalate. In 1983 we had 1,100 families with food orders. In the 12 months of 1984, we had 1,600 families. We are forced to refuse families that come down from the Boston area, and send them to the food banks in Boston. We have noticed the amount of requests from Braintree and Weymouth. Those are also I think more affluent communities than Quincy, that the requests from the poor in those communities have doubled and from Highland-Randolph they have tripled. It is a 35-percent increase from 1983 and 1984.

While the demand has increased, our resources have decreased. The food from the private sector has been insufficient in quantity and the quality varies. Fresh fruits and vegetables which we bring to our food center are often spoiled. People give you and are very generous, but we are getting less and less. We have noticed that the demand on the central food bank in Boston has increased. But that is an indication of the number of places like Quincy that have opened up.

So that we have to go in more often to pick up what is available. That means more trips, that means more transportation costs. And our community action agency has received no additional funds for the food bank and the free restaurant. So we appealed to the city administration and they have paid for one staff out of the community development block grant and the community service block grant, our community action money, paid for the other staff. And now that is going to be threatened by the cuts as well in the President's budget.

We have not experienced an ability on the part of traditional care-givers like churches to be able to operate full-time food programs. While they are good to us, they really cannot take over these programs which they had thought they would be able to do. The Government is just going to have to accept the fact that the country has an obligation, I think, to assist those families unable to make it.

The Food Stamp Program has been inadequate. Poor families that must pay $90 a week for day care and high out-of-pocket medical expenses, medical insurance, transportation, have little left for the food. The result is poor health and discouragement which often causes losing the job and family problems. There is no analysis of the real costs incurred by the working poor. When a poor family pays $400 a month for rent—they receive a section 8 which they really need for housing subsidy. The first thing that happens is the food stamps are cut and people begin to feel that there really isn't much hope or much point in trying to improve yourself.

Food stamp recipients are not linked to the existing EFNEP program in any coordinated way, the way they are doing it, obviously, in Wooster. I think that will be a very important thing to do, because as you pointed out, without the education oftentimes people don't—especially some of the younger parents haven't had an opportunity to learn how to use foods in creative ways as they could.

The title 1 Food Program was originally a great help. The beef and the pork was canned and the fresh chicken and turkey were a real help with our onsight feeding programs. But these foods are no longer available. The peanut butter, macaroni, spaghetti and rice is helpful. But to make nutritionally balanced meals it is difficult without the fresh protein and fruits and vegetables.

The title 2, cheese, butter, rice, milk, honey, and flower provides help to 60 families each month. They come to depend particularly on the milk. The elderly make up the greatest percentage of these families. In 1984, in Quincy and the suburban towns, we provided cheese and butter to 90,000 households. That was 165,750 individuals. They stood in the rain and in the snow in order to receive that food. We distributed honey, powdered milk and flour to another 30,000 households and we provided 15,000 pounds of food to onsite feeding programs.

It is like the battered womens's homes or homes for youngsters who are recuperating from drug or alcohol addiction; the greatest problem for the community action is the demand is growing and none of these programs provide adequate funding for the staff. An example is that a 50-pound bag has an administrative cost of 10 cents.

But we have to lift that up, put it on a van, transport it, and the 10 cents hardly covers the cost of handling that very heavy bag. We don't get any coverage for insurance or protection against injury. Unfortunately, the funds are just not there for this, and we are operating at some risk.

But we are the neighhorhood agency, and we must face the children and the elderly, and we just cannot say no.

I would like to introduce Mary Brelsford, who has run the community program for us, and some of the young parents in our program.

STATEMENT OF MARY BRELSFORD, DIRECTOR, COMMUNITY PROGRAMS, QUINCY COMMUNITY ACTION ORGANIZATION, INC.

Ms. **Brelsford**. I am going to read a statement by a woman who accompanied me here today. I don't think that I could give this expert testimony as well as what she wrote:

> I am the mother of a 4-year-old daughter. I receive $328 a month for her and I. My rent was $425 a month, no utilities included.
>
> In the meantime I was waiting for subsidized housing, getting further and further behind in my bills. I was receiving $115 a month from food stamps which would not last the month. I subsequently end up taking money from my rent to buy food to get through the month.
>
> I finally received my section 8 subsidy, which I thought would help me catch upon the back rent and utility bills, but now they are going to cut my food stamps. So now I will have to use the money I was using to play catchup with for food. So I am still in the same predicament. I am expecting another baby within the next 6 weeks. And when the baby is born my food stamps will go back up. So welfare is telling me I must now feed three people on what I tried to feed two people. And it just is not enough.
>
> Baby formula costs about $35 monthly. In figuring it out by the day, it equals out to about $3.83 a day to eat, and welfare gives me $11 a day for my apartment, electricity, heat, hot water, and any other bills that might come in. With $3.83 daily, it is before my next cut in food stamps.

Ms. **Wahlberg**. Donna.

STATEMENT OF DONNA DELANEY, FOOD STAMP RECIPIENT, QUINCY, MA

Ms. **Delaney**. I am Donna Delaney. I am a head of household. I live in Quincy. I have two young children ages 6 and 8. In a little over the past year I have been in three different circumstances and in all three circumstances it has been a very hard struggle to provide food and shelter for my family.

A little over a year ago I worked. I earned fair wages, which were $250 a week. But the take-home on that is only $206 a week. My child support was next to nothing at $48 a month. That totaled $872. But just in rent, child care and transportation alone took $565 of that, leaving me $307 in which to provide food, utilities, clothing, out-of-pocket medical expenses, everything.

Of course, with the guidelines that are on these assistance programs I wasn't able to qualify. I was ineligible for all of them. So I was totally on my own to do this. I had no assistance from anywhere at all. It was quite a hardship.

Then in March 1984 my job where I worked was phased out. So I was on unemployment. With unemployment and also with child care, that was $620 a month. I still had the same costs. My rent was $325. I didn't have the transportation and the child care, but I did have Job Search. And with that I had $295. I did receive food stamps, but it was about $70. I still have to supplement for over 2 weeks' worth of food over that money. And it was during this time that I found out about the butter and cheese program and I did also use that. And that helped. But still through this time as before, the meals were very unbalanced.

I used a rotating method of one decent meal that was well balanced, and then the following night or the next night would be a very poor meal. It would be starchy fillers and pancakes, macaroni and cheese, caseroles, which were mostly the starch, rice, macaroni, spaghetti, eggs for dinner, this type of food. And also during this time I lost my child care, it just wasn't paid. So it still was more of a stress.

During that time I found out about the Quincy Community Action Food Bank and did go there in the month of August. This helped enormously. It did stretch out. But that still wasn't enough. I still had to keep on rotating and doing without fresh vegetables, fruits, juices. Just couldn't afford them.

In September I went and registered and entered Quincy Junior College. I am on a preparatory program for R.N. I am hoping to get into the program starting in September. Also in the fall I started working as a volunteer at the Quincy Community Action. I went on AFDC. I had a short period of a few months where I was only on $396 from AFDC, I had food stamps of $57, which did not last throughout the month.

That left me $46 with which to supply all the rest of our needs—all the utilities, try to help out in the food budget and any other costs that came up.

I have since December gotten the housing, section 8. That has helped. But I am still so far behind on bills—I was way behind on all my utility bills, that I had to catch up. I am incurring costs at school, books are very expensive. My food stamps also will be cut. I am pretty sure it is next week. They will go down from $157, I suppose I will get $97 or $107 and that is it. I will be very dependent on the food bank, on the cheese and butter, on all the other USDA commodities that are available. I am going to need them.

I still will have to save up for current costs before September, in which I hope to get into the R.N. program. The books will be more expensive. I will be in this situation for the next 2 years from September.

Mr. PANETTA. Thank you very much.

Ms. WAHLBERG. Dianne Allen lives in Hull. Hull is a community, a seaside community of about 10,000 people. It has no or little transportation and their problems—they have one of the highest unemployment rates in southeastern Massachusetts.

STATEMENT OF DIANE ALLEN, FOOD STAMP RECIPIENT, HULL, MA

Ms. ALLEN. I am Diane Allen. I am very grateful I was asked to be here this afternoon.

I moved back to Massachusetts this past November. I am originally from Massachusetts. I had been off and on the welfare system for almost 20 years. I have worked at different times in the 20 years. I remarried a man who accepted me and my five children. Their father never supported them, of course. That is why I applied for AFDC.

My marriage broke up a little over a year ago. He wanted a divorce, he wanted out, and the only alternative I had was to come back where I belonged, to Massachusetts, where I was born and raised and where my family is. When I came back, here, my two older children are now on their own, and I only have three sons living at home with me. When I moved back here last November, one of my sons and myself moved in with a brother and the other two sons moved in with another brother in Weymouth. I looked for housing, and the rents are disgusting.

And finally I was able to find a place for $450 with nothing. I am renting this house. I am getting AFDC, $463 a month. I get food stamps of $193 a month. After I have paid my rent—I have been lucky, I am eligible for fuel assistance. I get that. If I didn't get that, then forget it. But all I have left to pay my electric, which runs me $100 a month, I have my gas. A phone is a luxury, which my mother helps me pay. One of my children is an asthmatic and I just need to have the phone.

There are other things, taxable items. I was fortuante enough my uncle, when I was living in Maine, bought me a car, so I have a car to get to work. I do have an automobile, and I will not give that up.

I have just found that things just don't seem to get better. I want to work. I know how to work. I am not a lazy person. I found a job about a month ago, and I let the welfare know. They are going to take some of it away. Where am I? I am back in the same old boat. How can I pay everything with $12 a month? I cannot.

I would like to see Ronald Reagan or the rich politicans, I would really love to see how they could handle that. I am really, really disgusted. I have applied for section 8. I am number 1,500-something on the list. I have applied for housing, but it is fruitless. I look in the paper every night and I just tear it up, I am very angry. I am really very angry, because it is a case you are damned if you do, you are damned if you don't.

I would love to get myself off of welfare. I am actually embarrassed to say I am on welfare, because when you go out and say you are on AFDC, people look at you like you have the plague. And I really resent that.

I just hope that maybe in time or something I will be able to find work or something. You go out for work. I don't have a high school diploma. I am working on that. The minimum wage is $3.35 an hour. This is insanity. When rent and food alone takes so much money to live on, I don't know how in the world anybody can possibly think that you can make it on that kind of money. They have to be an idiot, or out to lunch, because I know I cannot make it.

It is one thing to talk about it, but it is another thing when you have to do it yourself.

And I guess that is all I have to say. Thank you.

Mr. PANETTA. Thank you very much. Particular thanks to those of you that come to testify about your personal situation. That is not easy, I know.

Are you familiar with an employment program that is called Employment and Training Choices, the E.T. Program?

Ms. ALLEN. I am.

Mr. PANETTA. Have you made an effort to enter the E.T. Program?

Ms. ALLEN. I will be starting with the Community Action next week, which is a training program.

Mr. PANETTA. Does Community Action work in conjunction with the E.T. Program? Are you familiar with that program?

Ms. ALLEN. Yes.

Ms. BRELSFORD. We are part of the E.T. Program where we supply the experience and training for 6 months.

Mr. PANETTA. My understanding of the E.T. Program is that then puts people into either an education side of it, or what have you, to try to get them prepared for a job as well as placement. Is that correct?

Ms. WAHLBERG. Yes. This young lady is going to Quincy Junior College getting ready to go for a registered nurse. Many of the people who participate in our programs over there work for us, they come and volunteer. But this is a different situation. She will be volunteering and learning some of the skills she would need in an office setting.

One of the things that the kind of neighborhood-based programs we operate are helpful is that there is a information and referral piece to it, and people learn where the jobs are, where the opportunities are as well as getting the training. So I hope that Ms. Allen will be able to get something.

Mr. PANETTA. I take it you run into a lot of situations where people just get into jobs and then as a result of getting into jobs they lose benefits, so that tends to drag them down.

Ms. WAHLBERG. One of the difficulties for people who live in the community of Hull—it is not part of our mass transportation system—the transportation costs and the transportation difficulties. I went down to talk to some young women, five or six, who are in our Head Start Program, and some who had worked at Raytheon, and there was a layoff, and they work in another company. I said, "What is the real problem?"

They said there is a private company which provides transportation to the town of Hull, but it is inconsistent, it is an old bus, and it is late. They said the boss will listen to you being late a few times, because of the bus. But if you are on a line and have to be part of a manufacturing unit, after a while they get rather tired of that late excuse, and it makes it very difficult. What we are trying to do is see if we can get some companies to perhaps get a van and go into that area and bring people out.

It has consistently been a problem for low income people who live in the town. They cannot buy food in the town because it is so expensive in that community. That came as a real surprise to me. I am familiar with the town and thought we could put up a department of employment security van and help people to apply for jobs that way.

And I said, "We could put it in the parking lot of wherever your store is."

And they said. "We cannot buy food in our community because it is so much more expensive here than in any other community around." So they are in a bind there.

Mr. PANETTA. Let me ask you. You obviously do get food from the Surplus Commodities Program; right?

Ms. BRELSFORD. Yes.

Mr. **Panetta**. Have you received part of the administrative funding to be able to store and transport the food?

Ms. **Brelsford**. Yes; we receive 5 percent of the cost. But with transportation and labor it is very difficult. We are in the red. We do a cheese and butter program every month for three towns. Right now we are a couple of thousand dollars in the red to do that program. We just did the flour and honey program. It set us back about $800.

Mr. **Panetta**. Let me ask you, what is your experience with that program? Has it improved? Are you getting more advance notice when it is time for distribution?

Ms. **Brelsford**. I have had no problem with the program. We receive about 300 calls a week just for cheese and butter. The problem is that there simply is not enough money to properly administer and get out and get into the towns and do a good distribution.

We would like to see the administrative costs raised a bit. We are forced to hire people for only 2 weeks at a minimum wage. The whole thing is very difficult. The cost of trucking has become very expensive. But the participation is tremendous. We run out of cheese and butter.

Mr. **Panetta**. Can you give me some numbers on that? How many people?

Ms. **Brelsford**. In the city of Quincy, the total—about 7,500 families—in Quincy about 500 families turn out every month for cheese and butter. Milton, 600 families turn out regularly. Every 3 months we are able to do another commodity. This time it was powdered milk and flour.

Mr. **Panetta**. You give the notice out in time. The State notifies you in time?

Ms. **Brelsford**. We have been doing it regularly now for 2½ years. That has not been a problem. We have worked very well with USDA. They have always been very helpful to us. When we run out we make a phone call and they call the warehouse. It is just the costs in doing that program are very high.

We don't have enough for insurance. When you hire people to lift 35 pounds at a time, 50 pounds at a time, you really should have insurance for these people. We are not able, even for volunteers; most of our volunteers are elderly. We could not run the program without volunteers. We don't have enough money for insurance. Our problem is with the administrative part.

Mr. **Panetta**. I assume if we cut that 5 percent——

Ms. **Brelsford**. We are out of business. We could not do it.

Mr. **Emerson**. I have no questions. Thank you all very much.

Mr. **Panetta**. Thank you all very much. Please continue to push—especially if you are going to school and trying to get your R.N.; I wish you the best of luck on that.

The next panel would be Betty Holt, director of assessment and counseling, Roxbury, MA; and Dr. Howard Spivak, director, Pediatric Primary Care at the Boston City Hospital.

Thank you both for coming and testifying. Both of you are involved in issues relating directly to the hunger issue. Ms. Holt.

STATEMENT OF BETTY HOLT, DIRECTOR, ASSESSMENT AND COUNSELING, ROXBURY MULTISERVICE CENTER

Ms. HOLT. Mr. Chairman and members of the subcommittee, I am Betty Holt. I am director of counseling for the Roxbury Multi-Service Center. The Roxbury Multi-Service Center is a community service agency located in the Roxbury neighborhood of Boston. The center provides a variety of services to low-income families and individuals. Our clients are AFDC recipients, unemployed, underemployed, disabled, and the working poor.

Since the area is economically depressed, hunger has been a consistent problem over the last decade. However, because of the Federal cutbacks, especially in the Food Stamp Program, hunger has rapidly escalated in the past few years.

During the past fiscal year, our agency experienced a 60 percent increase in requests for food. This increase was reflective of a 3-year steady increase in demand for food.

In response to the growing hunger situation in our community, Roxbury Multi-Service provides food vouchers which are purchased with funds donated by United Way. We also operate an emergency food pantry through funds donated by Project Bread and with USDA commodities.

Funding for our program is provided by private charities. The funds are being depleted because the demand for food far exceeds the available resources.

While private charities have responded most generously to the problem of hunger, they lack the resources to deal with it effectively.

The cutbacks in the Food Stamp Program have dealt a devastating blow to poor people in this country. Many of our families are going to be hungry because there just is not enough money for food.

In light of the startling facts and information outlined in the Report on Hunger, we urge the Congress to begin to address the problem by restoring funding to the Food Stamp Program and nutritional programs. Then America, the land of bounty, would be a reality for us all.

Thank you.

Mr. PANETTA. Thank you, Ms. Holt. Dr. Spivak.

STATEMENT OF HOWARD SPIVAK, M.D., ASSISTANT PROFESSOR, BOSTON UNIVERSITY SCHOOL OF MEDICINE; DIRECTOR, PEDIATRIC PRIMARY CARE CLINIC, BOSTON CITY HOSPITAL; AND DIRECTOR, ADOLESCENT SERVICES, BOSTON DEPARTMENT OF HEALTH AND HOSPITALS

Dr. SPIVAK. I am here to report some preliminary findings on a survey that we are currently conducting in Boston looking at the potential impact of programmatic cutbacks in food and nutrition programs on people who are as a result losing benefits.

Although the study is not complete, I believe that some of the preliminary findings are relevant to this hearing and to the issues around food stamps and emergency food distribution programs.

We are currently following 500 children under the age of 6 who were recruited from the Boston City Hospital emergency room and represents a population that in general looks very similar to the inner-city population of Boston.

We are seeing these children at three points over a 1-year period, measuring the children for their height and weight growth, as well as interviewing one of the household members as to their participation in benefit programs, income, sociodemographic information and a variety of other information.

We have to date analyzed about two-fifths of the sample only for the first point, the first weight and height point and the first interview point. So the information is somewhat limited.

With that in mind, I would like to report some of it as I do believe it is relevant.

This sample, by the way, of two-fifths involves to date 213 children from 159 households. One-half of the children we have analyzed so far are receiving WIC, one-half of the households we have analyzed to date are receiving food stamps. Those do not overlap completely. There is some overlap.

With respect to use of emergency food programs, of the 159 households that we have looked at so far, 20 percent of them report some use of emergency food programs ranging from surplus food distribution to food pantry use. Of that 20 percent, only two families, or 6 percent of the 20 percent, were not concurrently receiving its WIC or food stamp benefits, suggesting that those benefit packages are not adequately meeting the needs of these families.

And I would like to put this into perspective. Many of these families who report Emergency Food Program use also state that use of these programs is embarrassing and uncomfortable, and they are doing it at least to some extent out of desperation, that their benefits are not lasting them the amount of time they are designated for.

What is equally important is that of the 50 percent of the households receiving food stamps involving 79 households, 23 of those households, or almost a third, sought emergency food programs. And again, there are consistent reports with these families that food stamps do not make it through the month for them, and if they did not have access to the emergency food programs they would be in considerable trouble.

Some other information that we have is information on these households reports of income and difficulty or ease of buying food.

Fifty percent of the households that we have analyzed to date report that food buying is more difficult for them at that point than it was 6 months earlier, as opposed to 7½ percent who reported that food buying was easier. Along the same lines, 30 percent of the households report a reduction in their household income from 6 months earlier as opposed to 15 percent who reported an increase in their household income.

And to state some of the reasons for the increased difficulties these families are facing around food buying, families are reporting not only increased food prices and lower household incomes, but an increase in nonfood expenses and an increase in the appetites of their children as they grow, so that in fact their expenses rise as their children get older.

I would like to close by just reporting some other information we have collected. In addition to statistical data, which really only gives one piece of the picture with this whole problem, we have collected a considerable amount of anecdotal information from these families, where each of these anecdotes in and of themselves may not mean much, except there is a great deal of consistency from family to family of the comments these people are making.

With respect to seeking of emergency food, it is very consistent to hear statements like "I won't go to a food pantry. It is embarrassing and I feel shy to go there even though I do not have enough food in the house." Or "I am afraid to go there because someone might recognize me."

Of even greater concern are statements that people are making about the kind of juggling they have to do to survive

I would like to read two examples. These are in response to the question of whether people feel like they are better off now than 6 months earlier.

"I don't know if I am better or worse off," said the mother of a child with heart disease. "I work part-time which is better than welfare, but my Medicaid and welfare were cut. My food stamps increased, but I would rather have Medicaid; I couldn't afford to call an ambulance last month to take my son to the hospital."

"The welfare check went up, so they cut the food stamps," said a mother of two, "but things are harder because my rent went up too."

And we have comment after comment similar to this. And we in fact plan to try to quantify this information, because I think it adds considerably to the other statistical information we are collecting.

In conclusion, what our preliminary results seem to show are that resources from any one program such as food stamps or WIC are inadequate, and that families need resources from multiple programs to be able to make it and to feed their children. Second, that the process of seeking these programs or resources from these programs is far from pleasant. Families are embarrassed, they would rather be able to do it on their own, they don't like talking about it. And I would estimate that the 20 percent emergency food program usage that we are getting is probably an underestimate, because it is like pulling teeth to get this information out of people.

Thank you.

[The prepared statement of Dr. Spivak appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Dr. Spivak. Have you done any studies into the health aspects or the health consequences? I notice part of your effort is to evaluate these conditions on the growth of children.

Dr. SPIVAK. Not specifically around actual health problems. We have tried to define the study very carefully, so as not to try to do too much, so we could get reasonable answers to the questions we were asking. What we are planning to do—and we do not have the information yet to be able to do this—is to look at the growth velocity of children over a 1-year period. Not so much what their actual weight is at any given point, but whether they are growing at an appropriate rate, at those three points that we weigh and measure them.

We plan then to correlate that with whether there have been changes in benefit packages, for these individual children over that period, so that we will hopefully be able to look at whether in fact there is an improvement in growth velocity or stability, in those families that maintain benefits or who get improvement in benefits, versus a falling growth velocity for those families who lose or have reductions in benefits.

The implications of the falloff in the velocity of growth are considerable. I believe you have already received testimony from others about the implications of malnutrition. Height and weight measurements merely reflect those other problems.

Mr. PANETTA. But with regard to your specific study, I take it that you are in a very preliminary stage in terms of making those conclusions?

Dr. SPIVAK. Yes.

Mr. PANETTA. You are talking about reporting back in the spring of 1986?

Dr. SPIVAK. Yes; we have actually had a portion of our sample go through the full year. But it is too small a piece of the study. So there is nothing we could say about that.

Probably our final results will be done in the spring of 1986. We will probably have additional preliminary results involving later information for individual children over the next 6 months.

Mr. PANETTA. Ms. Holt, you were with the Roxbury service center. Does that provide a multitude of services for people who come in? What are some of the services you provide? Do you provide AFDC? Is that kind of service available as well as food stamps?

Ms. HOLT. No. Most of our funds are private. We have some public contracts.

Mr. PANETTA. In other words, public agencies don't refer through your operation in any way.

Ms. HOLT. Yes, they do. A lot of our referrals come from the department of welfare because of the cutback in food stamps. When clients go to the welfare department and state they have no food, and there is no way their food stamps can be increased, they are referred to the private agencies.

Mr. PANETTA. What I am saying is that the actual public agencies don't operate out of your service?

Ms. HOLT. No.

Mr. PANETTA. So you basically pick up people that for one reason or another are not getting adequate benefits?

Ms. HOLT. That is right. We have a food pantry. We do employment counseling and housing counseling. We have a shelter. We have after-school programs.

Mr. PANETTA. Do you refer people to the E.T. Program?

Ms. HOLT. Yes, we do. The problem with that is that there is not adequate day care. I think more AFDC mothers would take advantage of the E.T. Program if the day care services were in place.

Mr. PANETTA. That is a component, but you are saying it is not an adequate component right now?

Ms. HOLT. Are you asking if it is a component of our agency?

Mr. PANETTA. No. As I understand E.T., they say day care is part of their component.

Ms. HOLT. I am saying there are not enough day care spaces to accommodate all of the AFDC mothers who would like to take advantage of the program.

Mr. PANETTA. The majority of the people that come to your center—is it mainly women with children?

Ms. HOLT. Yes. Single head of household, female head of household.

Mr. PANETTA. Do you get any elderly?

Ms. HOLT. Not very many, because there is an agency in the community that services the elderly, yes.

Mr. PANETTA. I would think most of those women would like to get a job.

Ms. HOLT. Very definitely.

Mr. PANETTA. Bill.

Mr. EMERSON. I have no questions.

Mr. PANETTA. Thank you both very much. We appreciate your testimony.

The final panel would be John Raftery, director, bureau of nutrition, department of education, Michael Lipsky, professor of political science, MIT, and Nancy Johnson, agency relations manager of the Boston Food Bank.

Thank you all for coming. We appreciate your taking the time to testify. Your statements will be made part of the record, if you summarize. You may proceed as you wish. Mr. Raftery.

STATEMENT OF JOHN M. RAFTERY, DIRECTOR, BUREAU OF NUTRITION, DEPARTMENT OF EDUCATION, ACCOMPANIED BY JOANNE MORRISSEY, STAFF MEMBER, TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Mr. RAFTERY. Thank you, Mr. Chairman.

Through the bureau of nutrition, the department of education in Massachusetts administers school-based lunch, breakfast, special milk, and elderly programs, Child Care, Summer Feeding, and Food Distribution. The Food Distribution Program dispenses commodities to all the above programs and to the needy.

As the State director of the bureau of nutrition, I welcome the opportunity to share the current and anticipated concerns with the health of these programs that are so vital to the well-being of the children of our schools and institutions, and to the elderly and the needy.

The legislative changes enacted in 1981 seriously impacted the school programs which experienced a 30 percent decline in participation. We have not recovered these children and live in a consciousness that many boys and girls are being poorly fed or are outside the so-called safety net.

Proposals made by the administration for further reductions and changes to the nutrition programs can devastate these services.

Primarily, the administration proposes a cut of $686 million in school food service support that focuses upon the elimination of the section 4 moneys which currently pay 12 cents a meal for all chidren participating in the School Lunch Program. Under the misunderstanding or misinterpretation that more than half of this money only serves to support the child who can afford to pay for the meal, this proposal missed the fact that this money pays for the operation of the whole Food Program. It provides for the labor and the structure that allows schools to feed the needy as well as the average income child.

It is a misnomer to claim that the paying child is able to pay the full cost of a meal. While the needy child can qualify for special assistance, the majority of other children are of average means for whom the cost of a daily meal is a burden. Throughout the history of the Lunch Program, evidence has established the fact that every 1-cent increase in cost was followed by a 1 percent decline in participation—evidence of how close is the ratio between cost and ability to pay and why more and more children are bringing lunch from home or are doing without.

Equally harmful is the proposal to eliminate the Federal subsidy for the child who pays for breakfast, special milk, and for enrollment in the Child Care Program. This subsidy helps the school or institution to keep a meal price structure within the ability of the child to pay.

With the elimination of the section 4 money, it should be noted that this 12-cent subsidy will be lost to the needy child as well as to the paying child. To remedy this cut in aid to the needy, the administration proposes an increase of an equivalent amount of commodities.

For the paying child, the administration proposes a total elimination of commodities as well as the cancellation of the subsidy. Thus these children will experience a loss of 24 cents that can only be made up through an increase cost for the meal.

In the practical mode, the cost for lunch will be changed from the current average of 80 cents to $1.05.

Moreover, and again from the practical mode, schools will be required to provide two menus, one with no commodities for the paying child, and one with the special commodity allowance for the needy.

Both because of price increase and restricted availability of commodities, the bureau will be led into two separate and identifiable lunch programs, separating the needy from the rest of the children.

Additionally, the administration proposes to freeze all Federal reimbursement not terminated, as above. Thus the cost-of-living adjustment made annually for all subsidies and now to be limited to the free and reduced price rates, will not be available even for these children. The loss of the cash subsidy from section 4, together with the elimination of the COLA, will further weaken the financial structure of the program.

In addition to all the above restrictions, the family day care homes in the Child Care Program will be required to institute a means test. These homes have six or fewer children enrolled and will find that too few income eligible children qualify to make the paperwork worthwhile. This action could lead to the demise of the Family Day Care Program.

[The attachment follows:]

Massachusetts Needy Household Distribution 1983-1984

	1.42 lb. CHEESE	1.50 lb. BUTTER	1.07 MILK	.14 CORNMEAL	.13 FLOUR	.19 RICE	.79 HONEY
1983	175,605	47,123	9,206	2,989	2,783	2,797	2,355
lbs.)	5,268,150	1,696,428	220,944	149,450	139,150	134,256	84,780
value)	$ 7,480,773.00	$2,544,642.00	$ 236,410.08	$20,923.00	$18,089.50	$25,508.64	$ 66,976.20
1984	237,178	89,612	70,353	5,757	7,541	5,278	5,258
lbs.)	7,115,340	3,226,032	1,688,472	287,850	377,050	253,344	189,288
value)	$10,103,782.80	$4,839,048.00	$1,806,665.04	$40,299.00	$49,016.50	$48,135.36	$149,537.52
% increase 83-84	+74%	+53%	+131%	+52%	+37%	+53%	+45%

Current Dairy Distribution Sponsors Approved: 156

Current Pantries Approved:

Boston	112
Worcester	38
W. Mass.	22

Food Bank Sample Comparison:

Boston Food Bank:

lbs. distributed Dec. 1983	81,432	lbs.	to pantries
lbs. distributed Dec. 1984	116,600	lbs.	to pantries

70% increase

Mr. RAFTERY. I have with me today Ms. Joanne Morrissey, a member of our staff at the bureau of nutrition and has responsibilities in the TEFAP Program. I would like to ask if she could address the panel relative to what we have experienced in the TEFAP.

Mr. PANETTA. You may proceed.

STATEMENT OF JOANNE MORRISSEY, STAFF MEMBER, TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Ms. MORRISSEY. Regarding the Temporary Emergency Food Assistance Program, Massachusetts has developed a two-tier distribution system that is predicated on the quantities of USDA foods available to us. All of the TEFAP foods are being made available through three second harvest food banks to 169 emergency food pantries statewide.

The bureau of nutrition pays the $.10 per pound shared maintenance cost, therefore there is no cost to the pantry for the USDA foods. In addition, a statewide network of 150 nonprofit agencies including many community action agencies distribute foods available in sufficient quantities—dairy products—to households below the 150 percent of the poverty guidelines. These agencies may claim reimbursement up to 5 percent of the value of the foods they distribute for their direct costs associated with the distribution.

Between 1983 and 1984 we have seen a 53 percent increase in the quantities of foods distributed and an increase in the number of agencies that claim reimbursement for their costs to distribute. The amount of Federal funds we are allocated is no longer sufficient to meet this increased demand. We estimate that currently we need $100,000 per month to meet our expenses for the quantities of foods being distributed. This includes State administrative expenses for warehousing and trucking and local agency reimbursements.

Local agencies have also indicated to us that the 5 percent cap placed by Federal regulation on reimbursements is not sufficient to meet their local costs.

Massachusetts is very concerned about the administration's plan not to fund the TEFAP Program beyond September 30, 1985. Without Federal funds, Massachusetts will be unable to accept surplus foods for distribution. Also the local agencies can no longer rely on volunteer efforts to do the job.

Just to make that point, in March 1982 through April 1983, when there were no Federal funds available for distribution, we distributed about 200,000 pounds of commodities per month. For the past year, January 1984 through December, we distributed almost 600,000 pounds. I think most figures indicate that the quantity of foods just cannot be distributed without the Federal moneys involved.

Clearly, there is a need for the USDA to distribute surplus foods in order to avoid paying exorbitant storage costs. The overwhelming success of the program in Massachusetts indicates that the need for these foods is substantial and is increasing rather than decreasing.

We have submitted statistics illustrating the increased participation in distribution to needy households and pantries between 1983 and 1984. We continue to receive many new applications for participation, particularly from pantries. Most of our needy household sponsors are distributing on a monthly basis.

Thank you.

Mr. RAFTERY. Thank you, Mr. Chairman. We would be happy to respond to any questions.

Mr. PANETTA. Thank you.

Dr. Lipsky, we understand you are doing a book on the emergency distribution program. We would be pleased to have your reactions. We would be interested to see how you feel these programs are working.

STATEMENT OF MICHAEL LIPSKY, PROFESSOR, POLITICAL SCIENCE, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, ACCOMPANIED BY MARC THIBODEAUX

Mr. LIPSKY. Thank you, Mr. Chairman. It is a rare treat for a political scientist to have anything to say about anything pending before the Congress. I am Michael Lipsky, a professor of political science at the Massachusetts Institute of Technology. For the last year or so I have gone around the country with the assistance of some research assistants and in 8 states we have interviewed food bank directors, local distribution officials, local, State and Federal officials to try to get a comprehensive picture about what is going on.

I am assisted today by Marc Thibodeaux in the audience, and who would be available to respond to any questions that he might be able better to answer than me.

I wanted to say first that my remarks are guided by three general perspectives that I have developed in the course of these observations.

First, although TEFAP is entirely inadequate in itself, it has been an important source of supplementary food assistance to people in need. And certainly the testimony here today seems to bear witness to that.

Second, it has made vital contributions to the development of the remarkable national network of private feeding organizations that Mr. Emerson drew attention to in his remarks.

Third, the program is needlessly complicated and can be simplified, I believe, in a manner that enhances its ability to achieve its objectives.

Since December 1981, the date of the Federal Government's first release, over 2.1 billion pounds of surplus foods have been distributed, primarily dairy products, but also wheat, flour, cornmeal, rice, and honey. The total value of these supplies may be calculated at $2.7 billion. As many as 19 million people each month receive food assistance from this program, we believe. The program is also a governmental bargain. It costs only 3.7 cents to deliver a dollar's worth of food under TEFAP, according to our calculations.

There are three additional reasons to support the reauthorization of TEFAP.

First, food banks and local affiliates are dependent for supplies on whatever products happen to be available. That is in general. And without TEFAP they are dependent upon what donations they can acquire. Too often foods donated by private food processors and manufacturers unfortunately consist of products of marginal nutritional value, such as salad dressing, cold cereals and Twinkies. Surplus dairy products distributed through TEFAP represent stable and reliable sources of protein. Even though, there is some criticism on the emphasis on cheese because of the high sodium content.

Second, TEFAP foods represent a substantial proportion of the food budgets of local feeding organizations which would presumably have to be replaced if TEFAP disappeared or else the availability of food to low-income people would decline in the country.

Third, and most important, TEFAP has succeeded in reaching a portion of the needy population that has not otherwise been reached by the Food Stamp Program. For example, 41 percent of TEFAP recipients in a Detroit survey did not receive food stamps. We have seen estimates of food stamp participation among TEFAP recipients that vary from 30 to 60 percent in different surveys.

One should ask the question, should TEFAP be reauthorized although dairy surpluses are rapidly declining? The decision to reauthorize TEFAP should be taken with clear recognition this is the case. Butter will have been deleted entirely by the end of this fiscal year, and cheese stocks will have been significantly depleted, perhaps to 350 million pounds by the end of September 1985. These are calculations that Marc made and are confirmed by a recent USDA report.

Nonetheless, I think we should proceed because there will remain several billion pounds of wheat, rice, cornmeal and nonfat dry milk that remain important food commodities that we can distribute to the needy people.

To get to an issue of greater moment, however, we should ask: Should the Congress continue to provide reimbursement for administrative expenses—a subject that Joanne Morrissey spoke to.

As you now, the President's budget calls for the elimination of Federal reimbursement for these purposes. The proposal to eliminate administrative cost reimbursement, as I understand, is partially based upon the belief that current expense allotments are not being used. This is substantially untrue.

Although the final accounting for the fiscal year 1984 is not yet complete, 85 percent of all funds authorized to offset State and community organization administrative costs have been claimed. And the figure rises to over 91 percent in four States and Puerto Rico are excluded. Thirty-one out of 50 programs spent more than 90 percent of their authorized funds. Whether or not that makes the case is up to you to judge. But I offer it for your consideration.

It is true that some local agencies in some States choose not to seek reimbursement for expenses. But the evidence I believe does not suggest that returns to the Treasury from TEFAP administrative reimbursement expenses are vast.

What is more, there is reason to believe that local agencies are hindered in surplus distribution efforts because the expense reimbursements available to them are not sufficient to meet their needs.

Rhode Island, for example, turned down 90 percent of the commodities offered to the State in the second quarter of fiscal year 1985. In the third quarter it is accepting only two-thirds of the butter and none of the flour, honey, and rice that was proffered.

Vermont's program is being severely curtailed. The State turned down all of the cheese offered for the first quarter of this fiscal year and has placed no orders for surplus foods in the subsequent two quarters.

The rate of distribution has diminished at times in over a dozen other States of which we are currently aware. The slowdowns in these States result from local centers cutting back their distribution efforts as expense reimbursements have diminished or been used up.

There are other reasons to reject the proposal to cut administrative reimbursements in TEFAP. First, in most States organizations that serve as distribution agents are not primarily involved in food distribution.

Some USDA officials have argued that local agencies should be happy to have the food without expense reimbursement because they are normally in the business of providing food to the poor. This assertion is irrelevant because in so many States, distributors are not food banks and do not normally handle food.

Second, even where food banks do serve as distribution agents, the Federal Government should provide reimbursement for administrative expenses even though the food banks incorporate Government surpluses into their normal operations. This is because for every dollar spent by the food bank network, $120 worth of food is provided to recipients of food bank activities.

Third, if food banks do not receive administrative expense reimbursements, they will pass along the cost of TEFAP administration like they do their other costs—to the soup kitchens and food pantries that support food bank operations through a levy called a "shared cost" contribution. Thus the burden of the proposed elimination of administrative cost reimbursement would actually fall overwhelmingly on local churches and the hard-pressed urban charities that are already stretched to the limit by their commitments to feeding the hungry and caring for the homeless.

In my concluding oral remarks, I want to focus on two issues of program administration that are issues that get at the heart of Congressman Emerson's introductory remarks, in which he praised the private and community-based initiatives for their important contribution to feeding the hungry. I believe that the program has evolved over the years in a way that has provided inappropriate and costly eligibility standards and procedures.

Over the course of the last 4 years, the Federal Government has increasingly attempted to push eligibility determination responsibilities onto local distributing agencies and feeding groups such as soup kitchens, food box operations, and the like.

Last July, the Food and Nutrition Services published proposed regulations that would make every food bank and distributing agency responsible for maintaining records showing the data and method used to determine the number of eligible households, maintain records for a period of 3 years, showing the name of the household member, and so on. These were essentially welfare-like eligibility requirements.

The amount allocated for expenses nationwide—I am sorry, I believe this is an excessively administrative and burdensome approach to eligibility for Federal commodities. It is profoundly and understandably alienating to these organizations which do not aspire to be welfare agencies, and which came forward to address the problem of the hungry before the recent period of Federal involvement.

Let me make these points.

What I see around the country is that there is an enormous feeling of assault by these local agencies that believe it is not their place to ask people who show up on the lines what their income is, what their source of proof is that they are truly eligible, where they live, how long they have been in this situation, and so on.

As the Food and Nutrition Services try to obtain accountability and address potential problems of fraud and abuse of the sort that Dr. Brown talked about today, FNS has pushed on to the States' belief that they have to be much more strict about accounting procedures. And this has created an environment that is seriously undermining the morale of these organizations and ought to be questioned in terms of whether it really can be done.

It is one thing to ask a welfare worker to make these inquiries. It is another to ask a volunteer at a church, who may be a friend of these people, who has no official capacity with respect to the Government, and so on, to make these determinations.

The local organizations and the States are trying to put forward these standards and requirements to some degree even excessive to the things that have been part of the regulations that USDA has adopted. Since it is almost in anticipation of the adoption of regulations, the States have tried to accommodate this.

My view is that the amount of value that is being transferred here from the Government to poor people is so small relative to the administrative burden that we have lost a sense of proportion when it comes to whether or not we should deal with administration in this way.

I would recommend that we do what we do in other programs, and that is certify the organization, that it is substantially an organization that is performing as the Government wishes it to. We do this in the summer feeding program. We simply say the Government needs to certify this is an agency in a poverty area feeding poor kids. It does not ask for proof that all of the kids are indeed poor that it feeds. The FEMA money, that you have had something to do with, is administered to organizations that are certifiably doing the purposes of Government. And they don't have to prove that the people are poor.

So I think that one would save a great deal of expense on the part of the Federal Government and the State government and take the burden off these local organizations if one adopted a system of certifying the individual organizations as eligible rather than individual needy people.

My second recommendation has to do with the requirement that to obtain administrative expenses, the States ask for proof of every expense voucher. I believe it would be smarter, whatever the level of administrative expenses that Congress decided to put forward—and I believe they are too low, as Joanne Morrissey testified—I believe it would be smarter to offer a certain expense money reimbursement as a proportion of either the value of the food or the poundage of the food that went forward.

And so every distributing organization would get the same amount of money. Inequities in the distribution of expense money would be cured. There would be a substantially simpler administrative procedure, and it would change the incentives within the program, because currently, organizations have an incentive to file their expense statements.

And if those expense statements exceed the amount that they have, that they are entitled to, they basically can stop the program because they cannot afford it any longer. If the expense moneys were adequate, and if we had a formula basis for proceeding, then there would be an additional increment of expense money for each unit of food that was extended to the hungry.

That concludes my remarks.

[The prepared statement of Mr. Lipsky appears at the conclusion of the hearing.]

Mr. PANETTA. Ms. Johnson.

STATEMENT OF NAN JOHNSON, AGENCY RELATIONS MANAGER, BOSTON FOOD BANK

Ms. JOHNSON. Thank you for this opportunity.

As agency relations manager of the Boston Food Bank, I would like to talk specifically about that part of TEFAP that has made the seven commodities available to three food banks for distribution to emergency food pantries. These pantries in turn serve individuals who can come any time during the month and receive any or all of the seven commodities. In 1984 the three Second Harvest food banks distributed 1,796,000 pounds of these commodities to hundreds of pantries. Actually, it is 250 pantries, because there are satellite pantries of the regular registered ones.

Our experience has been, surprisingly enough, very positive. These pantries that we are working with on a monthly basis form a very fragile network that has sprung up in the last few years—most of them are only 2 or 3 years old—in response to so many people falling through the so-called safety net.

I want to emphasize that the pantries for the most part are run almost solely by volunteers who have no special training. They are often housed in churches, and 99 percent of them depend almost entirely on private contributions of cash and food. And you have heard this so many times—they cannot keep up with the demand, even though they have multiplied by dozens.

So in preparation for this testimony I surveyed a cross-section of our pantries. I was struck by two things: First, although the people that I interviewed ranged from a black Pentecostal pastor in Dorchester to a white mother of two in the suburbs, the universal response to my suggestion that this TEFAP Program would be cut was exactly the same word. The word was "disaster." Exact quote. That would be a disaster for our program and for our people.

Second, the pantries told me, "Things are getting worse and not better." It was not uncommon to hear 100- to 200-percent increases from last year's figures to the 1983 figures. Ironically, these are the exact same stories that I heard more than 1 year ago when I interviewed pantries for the physicians task force on hunger.

I would like to tell you from our food bank perspective why TEFAP is so valuable. Because few of the pantries have any operating budget for food—and by the way, none of the pantries receive any administration reimbursement. The food bank is reimbursed for our handling costs, but none of the hundred of pantries get any administrative money at all. These seven USDA commodities have formed the backbone of their operation. If TEFAP is cut, most of the pantries would lose the most stable source of nutritious food.

We have heard over and over again that people really need the food. As one Spanish-speaking woman from a church pantry in Lawrence said to me, it is like if you don't get rice that day, you die. Often staples such as rice are not available through regular food bank donations. As successful as food banks have become, the USDA commodity program is still the only reliable source of staples. As Dr. Lipsky mentioned, you get a lot of Twinkies, cold cereal, but you don't get enough protein. The milk and cheese and things goes to the women and children who form the bulk of the hungry.

Finally, we have found distribution food pantries as a complement to the big giveaway has been a very, very important step in preserving people's dignity. People are very embarrassed to go to a town hall, but they go to their local neighborhood church.

It prevents the elderly from waiting in long lines and so on. It is ironic that even at the pantries, which are not allowed to advertise, they are not allowed to mention to the public they are giving away these items, even the pantries have experienced long lines, and two of our panties have to get crowd control volunteers because the police come by and say, "Get all these people off the street." This is without any advertising at all.

Before I close, I would like to commend the Bureau of Nutrition for their very, very conscientious administration of the program. Jo-Ann has literally bent over backward to accommodate and respect the needs of the pantries. It is a very unified group of organizations—a lot of small storefront churches and things like that.

As to the question of whether eligibility requirements are appropriate, in my written testimony I say they are workable. But I agree with Dr. Lipsky, to add any more paperwork to these pantries, to these volunteers, would be a horrendous mistake. They know the people; they are neighborhood people; they don't need to constantly certify they are poor, no income.

However, I was surprised at how many pantries were willing to do the paperwork, even though it took extra time. They are that desperate to get the food.

In conclusion, TEFAP has served the programs of these small program, which in turn have served the poorest people. The foods are very popular with the people. They come in fairly convenient sizes and provide good nutrition. Granted we are only talking about emergency food at best, a temporary short-term response, nevertheless if TEFAP is eliminated, I really believe there will be a greater epidemic of hunger, and I wonder now why people are not rioting in the streets of Boston.

[The prepared statement of Ms. Johnson appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you all very much. This is very good testimony from all three of you, and very appropriate for us, because this is obviously one of the programs that we will be reviewing for reauthorization purposes.

Let me just ask some quick questions. Ms. Johnson, in your testimony you say the eligibility and verification requirements are appropriate. Are you saying as they are now or as they are proposed?

Ms. JOHNSON. Right now the pantries use the fuel assistance guidelines, and they ask people to just verify verbally for the most part, are you in these income guidelines. The pastors and the pantry directors don't require people to bring receipts and all this kind of jazz. And that has worked.

In fact, some of the pantries are thankful for some kind of criteria, not becaue they love paperwork, but because they are so overwhelmed it gives them a cutoff, that they can feel a little more comfortable saying to someone, "Look, you have to meet these guidelines." But most of them cannot handle any more paper work.

Mr. PANETTA. Dr. Lipsky, you have gone to how many States to review this program?

Mr. LIPSKY. With Marc Thibodeaux, we visited eight States, with research assistants and so on. We intended to have a focus on eight States. But we have also been in touch with regional directors. We have been calling people. We have attended national meetings where we have talked to a wide variety of State officials and so on. So the boundaries of the study have become national in a sense. Not systematically national.

Mr. PANETTA. You have a pretty good base of information.

Let me ask you for your bottom-line conclusion. Do you think the program is worth continuing based on what you have seen?

Mr. LIPSKY. Yes.

Mr. PANETTA. Is it your experience each State is pretty much operating on the same basis or is there great variance?

Mr. LIPSKY. There is enormous variance. There is variance—one of the things is that the program, like many Federal social welfare programs, build in inequities, because the States choose different standards. For example, about half the States choose an eligibility guideline of 125 to 130 percent of poverty. The rest choose a guideline between 150 to 185 percent of poverty. This means because there is not enough product to go to every eligible person, it means that your chances or the likelihood of your getting cheese from the Government is much greater in some States than in other States.

Some States have chosen to have a small gap between the number who get it and the number eligible. And in other States they have not wanted to make that decision, so there is a much larger gap between the number eligible and the number who get it.

Mr. PANETTA. As a result of that, you are not asking us to standardize those requirements. Is it still your preference that the States be able to set that as they will in terms of their eligibility, or should we standardize that at the Federal level?

Mr. LIPSKY. I think I know enough about social welfare policy and the federal system to not want to make that fight at this moment on that ground. I would point out, though—and I believe this is an even more severe source of inequity—the program depends on whether there are distribution agencies throughout every State. And so we have learned that there are, for example, as I testified before Congressman Leland's select committee last fall, there are 10 counties in Texas that simply didn't have a program because the State Government couldn't.

Massachusetts has worked to cover all parts of the State. In Florida there are many counties that were not covered last fall. And I believe there is nothing in the Federal compact that says that people should be denied Federal supplies because there is no local community voluntary agency that is available to set up these programs.

I would welcome on an experimental basis an effort to see whether the food bank movement might not be assisted in becoming established in places where they don't currently exist in order to solve this particular inequity, and to take advantage of the private sector opportunities that we seem to believe do have some supplementary power.

Mr. PANETTA. Those are all very good thoughts. I appreciate your providing that information. We run into this problem over and over and over again. I think the great benefit we saw in the program when we put it into place was that we wanted to get away from all the bureaucracies. Basically we wanted to rely on the private sector, the food banks. If there is an emergency situation out there, let's get these commodities out to people and let's not go through this maze that we have to create. That is why I concur in your concern about those rules, because I think we are going back into the maze.

The problem is on the other side, that if you find that those instances where in fact somebody is ripping off the program, as small as that may be—as far as I know, Sears & Roebuck, if somebody who rips off a pair of Levis, they spend as much money going after that person as the Federal does to try to catch them, they would go broke.

The reality is some of that is going to take place. But from a political point of view, they find that one situation, where somebody who doesn't qualify or a hospital winds up getting some of the cheese because they had some excess cheese and they don't qualify, that becomes an issue this big when it is brought to the Congress.

Mr. LIPSKY. I hope I am not being misunderstood. There are frauds that take place where people in programs appropriate large amounts—this is very rare, as I understand it. And that kind of thing can be handled throught processes that are well established for auditing nonprofit organizations. It is the squeezing of the individuals and requiring the individual food banks to certify elibility. If someone is modestly over income, do we really want to spend these enormous sums for saving the Government occasionally $15 worth of product every 3 months.

There has to be a sense of proportion here. And I think it is outrageously disproportionate. When you get to the community and you see what would have happened. I have never been to St. Francis. But I suppose applying those standards to all those people getting lunch today, it doesn't seem right. If you know what these organizations are like, who staffs them and so on.

Mr. **PANETTA**. Thank you. Bill.

Mr. **EMERSON**. Thank you for your testimony. I think you have given us some excellent suggestions. We may be in further touch with you down the road during this year's authorization, if we get there, to see how we can better refine this system.

Mr. Raftery, I think this bears on something you mentioned. It is not just a simple matter of taking food that is stored in Government warehouses and giving it to the needy. The food does have to be processed and packaged for individual household use, stored and then shipped to the States. And all this costs money. It may be appropriate to reauthorize this program. But it is not without cost, in addition to the cost of administering the program.

There is always some money involved.

Mr. **RAFTERY**. Yes, sir.

Mr. **PANETTA**. Always a little bureaucracy.

Obviously it is an important program. I think the thing I find very satisfying is that our experience is that this has been a very important resource, at a time when there have been constrictions in other areas. This has been something that, frankly, has released some of the steam, the pressure that has been created by reductions in other areas. This program has provided some very needed help as a supplemental food program. I think we just have to recognize, with the constrictions at the federal level on costs, this has to remain a very important part of our supplemental food program.

Thank you all very much. I appreciate your testimony.

Let me, in conclusion, thank all of the witnesses who have appeared today, and also thank all of those in the audience who have come to listen to the testimony presented here. This has been extremely helpful and extremely enlightening. And working with the State, with the local authorities, with the Governor, his office, as well as other States, we hope to design and continue in many instances legislation that will help meet this urgent need. It has been a pleasure to be in Boston. We hope someday to return and maybe discuss something that is a little more on a happier note. But this is an important issue, it has to be addressed.

We thank you for your efforts in helping us.

This hearing is adjourned.

[Whereupon, at 3 p.m., the subcommittee adjourned.]

[Material submitted for inclusion in the record follows:]

CITY OF BOSTON · MASSACHUSETTS

OFFICE OF THE MAYOR
RAYMOND L. FLYNN

TESTIMONY OF MAYOR RAYMOND L. FLYNN
U.S. House of Representatives
Subcommittee on Nutrition
March 1, 1985
Gardner Auditorium

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CHAIRMAN PANETTA, REPRESENTATIVE EMERSON, THANK YOU FOR BRINGING THE COMMITTEE TO BOSTON TODAY. YOU COULD NOT HAVE PICKED A BETTER PLACE TO GATHER EVIDENCE ON THE PROBLEMS OF HUNGER AND MALNUTRITION AND RELATED HEALTH PROBLEMS. SOME PEOPLE MAY LOOK AT THE ECONOMY IN MASSACHUSETTS AND PRESUME THAT NONE OF OUR RESIDENTS SUFFERS FROM THE NATIONWIDE HUNGER EPIDEMIC.

YET I EXPECT THAT YOU WILL CONCLUDE AFTER TODAY'S HEARING THAT BOSTON IS A REPRESENTATIVE EXAMPLE OF THE NATION'S PROBLEM. I KNOW THAT YOU PLAN TO VISIT ST. FRANCIS HOUSE AFTER THIS MORNING'S TESTIMONY, AND ON YOUR WAY FROM THIS AUDITORIUM YOU WILL SEE SOME CONTRASTS THAT MAY ASTOUND YOU.

AS YOU TRAVEL TODAY, YOU WILL GET A GLIMPSE OF ONE OF THE COUNTRY'S FASTEST-GROWING COMMERCIAL CENTERS. YOU WILL SEE A FOREST OF SHINING OFFICE TOWERS STRETCHING ACROSS THE CITY FROM THE WATERFRONT TO THE CHARLES. YOU WILL ALSO SEE THE CRANES AND EXPOSED GIRDERS OF NEW DEVELOPMENT PROJECTS THAT ARE RAPIDLY CLIMBING TO THE CLOUDS.

BOSTON CITY HALL · ONE CITY HALL PLAZA · BOSTON · MASSACHUSETTS [illegible] · 617/725-4000

YOU WILL GET A FIRST-HAND LOOK AT THE FAST PACE OF PROSPERITY.

BUT MOVING PARALLEL TO THIS GROWTH IS THE SLOWER PACE OF POVERTY. DESPITE THE DOWNTOWN BOOM, POVERTY GNAWS AT THE FABRIC OF OUR NEIGHBORHOODS. TWO HUNDRED THOUSAND BOSTON RESIDENTS -- 36 PERCENT OF OUR POPULATION -- LIVE NEAR OR BELOW THE POVERTY LINE. THEY ARE 200,000 PEOPLE AT RISK OF BEING UNDERNOURISHED. AND INCREASING NUMBERS OF THESE PEOPLE ARE TURNING TO FREE FOOD PANTRIES AND SOUP KITCHENS TO FEED THEMSELVES AND THEIR CHILDREN.

IN EAST BOSTON, THE HOLY REDEEMER PARISH OPERATES THE DAILY BREAD FOOD PANTRY. THIS SINGLE, LOCAL PANTRY HAS SEEN A STEADY INCREASE IN THE NUMBERS OF FAMILIES TURNING TO THEM FOR HELP. IN DECEMBER, 1983, THEY SERVED 35 FAMILIES. BY JANUARY OF THIS YEAR, THE NUMBER HAD INCREASED TO 84 FAMILIES.

OVERALL, 120 FOOD PANTRIES IN THE CITY SERVE 5,100 FAMILIES A MONTH. THIS IS AN INCREASE OF 88 PERCENT OVER 1983. LAST YEAR, THESE PANTRIES DISTRIBUTED NEARLY 1 MILLION POUNDS OF USDA SURPLUS FOOD. YET THE ADMINISTRATION PROPOSES TO ELIMINATE FUNDS FOR THIS PROGRAM IN THE FISCAL 86 BUDGET.

CEREAL AND DAIRY PRODUCTS WILL PILE UP IN STORAGE -- TO BE PERIODICALLY DESTROYED AS SUPPLIES CLIMB TOO HIGH -- AS CHILDREN GO HUNGRY IN MY CITY.

THE 27 SOUP KITCHENS IN THE CITY, LIKE THE ONE YOU WILL VISIT TODAY AT ST. FRANCIS HOUSE, SERVED 21,195 GUESTS PER WEEK IN 1984, UP FROM 12,905 IN 1983. A 64 PERCENT INCREASE IN ONE YEAR.

BUT IT MUST BE UNDERSTOOD THAT THE PEOPLE USING THESE SERVICES ARE FAMILIES WHO ARE DIFFERENT FROM YOURS OR MINE ONLY IN THEIR ANNUAL INCOME. THEY ARE PEOPLE WHO ARE STRUGGLING TO CREATE A DECENT HOME AND A FUTURE FOR THEIR CHILDREN. AND THEY ARE FINDING IT INCREASINGLY DIFFICULT TO MAKE ENDS MEET.

THEY ARE SUFFERING AND THEY NEED HELP. THEY ARE FAMILIES, -- IN MOST CASES HOUSEHOLDS HEADED BY WOMEN -- WHO ARE SUFFERING FROM PROBLEMS SUCH AS MALNUTRITION AND HIGH RATES OF INFANT MORTALITY. NATIONALLY, THE PUBLIC HEALTH SERVICE SUGGESTS THAT A 20-YEAR DECLINE IN RATES OF INFANT MORTALITY HAS ENDED.

IN THIS CITY, WE KNOW THAT A DECADE OF FALLING RATES ENDED IN 1982, AND THAT WE SAW DRAMATIC INCREASES IN THE NUMBERS OF DEATHS OF INFANTS IN OUR POOREST NEIGHBORHOODS. IN RESPONSE TO THIS TURNABOUT LAST YEAR, WE COMMITTED SOME OF OUR SCARCE FUNDS TO A PROGRAM AIMED AT REACHING POOR, PREGNANT WOMEN WITH HEALTH EDUCATION AND CARE.

SO WE ARE ESPECIALLY ALARMED AT THE ADMINISTRATION'S PROPOSALS TO MAKE DEEP CUTS IN PROGRAMS SUCH AS MEDICAID, CDBGs, AND THE WOMEN, INFANTS, AND CHILDREN NUTRITION PROGRAM.

WE DEPEND ON EACH OF THESE PROGRAMS TO PROVIDE SERVICES THROUGH BOSTON CITY HOSPITAL AND OUR NETWORK OF NEIGHBORHOOD HEALTH CENTERS. YET THE FY 86 BUDGET PROPOSES TO CUT:

- MORE THAN 10 PERCENT OF OUR CDBG FUNDS
- APPROXIMATELY 17 PERCENT OF THOSE WOMEN AND CHILDREN WHO RECEIVE WIC BENEFITS
- ABOUT $8 MILLION IN MEDICARE AND MEDICAID FUNDS, FORCING THE PUBLIC HEALTH SYSTEM TO ABSORB MORE FREE CARE.

WE HAVE HAD A HUMBLE GOAL IN OUR CITY: THAT A FAMILY'S INCOME WOULD NOT DETERMINE WHICH CHILDREN LIVE OR DIE IN BOSTON. BUT THESE CUTS AMOUNT TO A REPUDIATION OF THAT GOAL.

IT IS MY HOPE -- AND THAT OF THE PEOPLE I REPRESENT -- THAT YOU WILL CARRY OUR MESSAGE BACK TO YOUR COLLEAGUES ON CAPITOL HILL. AND THAT YOU WILL LEAD THE FIGHT FOR A NATIONAL POLICY THAT COMBINES SOUND PLANNING WITH COMPASSION.

TESTIMONY BEFORE THE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION

March 1, 1985

Philip W. Johnston, Secretary
Executive Office of Human Services

DISTINGUISHED MEMBERS OF THE NUTRITION SUBCOMMITTEE, CONGRESSMAN ATKINS, THANK YOU FOR THIS OPPORTUNITY TO APPEAR BEFORE THE NUTRITION SUBCOMMITTEE AS IT CONTINUES ITS EXAMINATION INTO THE HUNGER PROBLEM AND BEGINS THE REAUTHORIZATION OF THE FOOD STAMP PROGRAM. I REGRET THAT THE GOVERNOR WAS NOT ABLE TO JOIN US THIS MORNING, HOWEVER, I APPRECIATE THIS OPPORTUNITY TO PRESENT, ALONG WITH OUR WELFARE COMMISSIONER CHUCK ATKINS, THE DUKAKIS ADMINISTRATION'S VIEWS ON THESE CRITICAL ISSUES.

MUCH HAS BEEN WRITTEN ABOUT THE PHENOMENAL RECOVERY EXPERIENCED BY MASSACHUSETTS' ECONOMY OVER THE LAST FEW YEARS AND, INDEED, THE DUKAKIS ADMINISTRATION HAS A GREAT DEAL TO BE PROUD OF FOR ITS ROLE IN SPURRING THIS REBIRTH. IN FACT, MORE JOBS WERE CREATED IN 1984 IN MASSACHUSETTS THAN IN ANY YEAR SINCE WORLD WAR II. UNEMPLOYMENT STANDS AT 3.4%, THE LOWEST OF ANY INDUSTRIAL STATE.

HOWEVER, THIS IS ONLY ONE SIDE OF THE STORY. WHILE MOST OF OUR CITIZENS HAVE BEEN ABLE TO SHARE IN THIS NEW PROSPERITY, A WHOLE SEGMENT OF OUR SOCIETY HAS BEEN LEFT BEHIND. UNEMPLOYMENT STATISTICS ALONE DO NOT PRESENT THE FULL PICTURE. THEY HIDE

A BLACK UNEMPLOYMENT RATE WHICH IS TWICE THE RATE OF WHITES. THEY DO NOT SHOW THE CRISIS IN YOUTH UNEMPLOYMENT, NOR DO THEY TELL THE TALE OF THE UNEMPLOYED WHO, DISCOURAGED, HAVE GIVEN UP LOOKING FOR A JOB. NOR DO THEY SHOW THE RAVAGED FACES OF THE POOR, THE HUNGRY, AND THE HOMELESS WHO STRUGGLE FOR SURVIVAL THROUGHOUT THE COMMONWEALTH. FOR THE HARSH REALITY IS THAT ECONOMIC RECOVERY RARELY TOUCHES THE LIVES OF THE MOST VULNERABLE IN OUR SOCIETY.

PERHAPS NO WHERE WAS THE EXISTENCE OF THIS "OTHER MASSACHUSETTS" BROUGHT HOME MORE VIVIDLY THAN THE RESULTS OF OUR DEPARTMENT OF PUBLIC HEALTH'S NUTRITION SURVEY. INITIATED BY OUR NEWLY ELECTED CONGRESSMAN ATKINS WHEN HE WAS A MEMBER OF THE STATE LEGISLATURE, THE STUDY ESTIMATED THAT AS MANY AS 17,500 LOW INCOME CHILDREN ACROSS THE COMMONWEALTH SUFFERED FROM CHRONIC UNDERNUTRITION. IN MY TRAVELS ACROSS THE STATE, I HAVE SEEN PEOPLE WAITING IN LINES AT SOUP KITCHENS AND HEARD OF FOOD PANTRIES UNABLE TO MEET THE DEMAND FOR FOOD. INCREASINGLY, FAMILIES, WHITE, BLACK, HISPANIC - THE WORKING POOR - ARE SEEKING ALTERNATIVE MEANS OF MEETING THEIR BASIC FOOD NEEDS. YOU WILL BE RECEIVING ADDITIONAL TESTIMONY FROM DOCTORS, SOUP KITCHENS, AND FOOD BANK OPERATORS FURTHER DOCUMENTING THAT EVEN AMIDST MASSACHUSETTS' RELATIVE AFFLUENCE, THE PROBLEM OF HUNGER PERSISTS UNABATED.

IT IS FOR THIS REASON THAT THE UPCOMING REAUTHORIZATION OF THE FOOD STAMP PROGRAM IS SO CRITICAL. FOOD STAMPS REPRESENT THE MAJOR PROGRAM OF FOOD ASSISTANCE TO LOW INCOME FAMILIES.

CREATION OF THIS PROGRAM IN 1964 BEGAN A STEADY PROGRESS IN COMBATTING THE PROBLEM OF HUNGER - A PROGRESS WHICH HAS BEEN INTERRUPTED DURING THE LAST FEW YEARS, AS FEDERAL FUNDING FOR THIS VITAL FOOD ASSISTANCE PROGRAM HAS BEEN CUT.

THE 1981 BUDGET ACT INSTITUTED A NUMBER OF CHANGES - A GROSS INCOME LIMIT, A REDUCED EARNED INCOME DEDUCTION, AND A POSTPONEMENT IN THE INDEXATION OF BENEFITS TO INFLATION - WHICH SERIOUSLY HURT THOSE NEEDY FAMILIES WHO DEPEND ON THIS PROGRAM FOR THEIR BASIC FOOD NEEDS. NATIONALLY, THE CONGRESSIONAL BUDGET OFFICE HAS ESTIMATED THAT THESE CHANGES RESULTED IN BENEFIT REDUCTIONS OF ALMOST $7 BILLION BETWEEN FISCAL YEARS 1982-1985.

HERE IN MASSACHUSETTS, THE NUMBER OF FAMILIES ELIGIBLE FOR FOOD STAMPS BENEFITS DROPPED BY OVER 11,000 BETWEEN FY'81 AND FY'82 AS THE DEPARTMENT OF PUBLIC WELFARE IMPLEMENTED THE OBRA PROVISIONS. THIS DROP OCCURRED DESPITE THE FACT THAT OVER 100,000 PEOPLE LOST THEIR JOBS BETWEEN JULY 1981 AND JULY 1982, AS MASSACHUSETTS, LIKE THE REST OF THE NATION, EXPERIENCED ONE OF THE WORST RECESSIONS IN POST WAR HISTORY.

FURTHER, THE 140,000 FAMILIES WHO DEPEND ON THIS PROGRAM SAW THE PURCHASING POWER OF THEIR FOOD STAMPS DECLINE AS INDEXATION OF BENEFITS AND DEDUCTIONS WERE POSTPONED. IT IS AGAINST THIS BACKDROP OF DECREASED FOOD ASSISTANCE FOR OUR NATION'S NEEDY THAT REPORTS OF INCREASED HUNGER CAME TO THE FORE IN THE 1980's.

THEREFORE, AS YOU DEBATE THE FOOD STAMP BILL IN THE CURRENT CONGRESSIONAL SESSION, I WOULD RECOMMEND STRONGLY THAT PROPOSALS TO FREEZE FOOD STAMP BENEFITS AT FY1985 LEVELS BE REJECTED. SIMPLY STATED, THE POOR HAVE ALREADY SUFFERED ENOUGH AS A RESULT OF THIS ADMINISTRATION'S REGRESSIVE SOCIAL POLICIES. PERHAPS RECOGNIZING THAT ITS POLICIES HAVE RESULTED IN A RATHER POROUS "SAFETY NET," THE ADMINISTRATION'S FY'86 BUDGET PROPOSAL WOULD PROVIDE FOR INDEXATION OF FOOD STAMPS SO THAT BENEFITS KEEP PACE WITH INFLATION. THOUGH I SELDOM FIND MYSELF IN AGREEMENT WITH THIS ADMINISTRATION'S HUMAN SERVICES POLICIES, THIS IS ONE POSITION WHICH I STRONGLY ENDORSE.

JUST AS I WOULD RECOMMEND EXEMPTING FOOD STAMPS FROM A COLA FREEZE, I URGE YOUR COMMITTEE TO REJECT PROPOSALS WHICH DISGUISE BENEFIT REDUCTIONS UNDER THE BLOCK GRANT CLOAK. AS YOU KNOW, IN THE LAST SESSION OF CONGRESS LEGISLATION WAS INTRODUCED WHICH WOULD HAVE PROVIDED AN OPTIONAL BLOCK GRANT TO STATES IN PLACE OF THE PRESENT FOOD STAMP PROGRAM. SUCH PROPOSALS, HOWEVER, STRIKE AT THE VERY HEART OF THE PROGRAM. IT IS THE ENTITLEMENT NATURE OF FOOD STAMPS WHICH ALLOWS IT TO GUARANTEE A MINIMUM LEVEL OF FOOD ASSISTANCE TO ALL AMERICANS. FURTHER, OUR PAST EXPERIENCE WITH BLOCK GRANTS TELLS US THAT PROGRAM CONSOLIDATION OFTEN MEANS SHARP BUDGET REDUCTIONS. IN LIGHT OF THE TESTIMONY YOU WILL RECEIVE TODAY, I STRONGLY OPPOSE ANY EFFORTS TO MOVE THIS PROGRAM IN THE DIRECTION OF A BLOCK GRANT.

INSTEAD OF TRYING TO FURTHER SLASH BENEFITS, I WOULD ARGUE THAT THE FEDERAL GOVERNMENT SHOULD INCREASE ITS COMMITMENT TO THE FOOD STAMP PROGRAM. I RECOGNIZE THAT STRIDES MUST BE TAKEN BY THE CONGRESS TO CONTROL FEDERAL DEFICITS. HOWEVER, CAN WE JUSTIFY A $34 BILLION INCREASE IN THE PENTAGON BUDGET, AS PROPOSED BY THIS ADMINISTRATION FOR FY'86, WHEN CHILDREN THROUGHOUT THIS COUNTRY GO TO BED HUNGRY AT NIGHT. THIS IS SIMPLY A NATIONAL TRAGEDY.

I, THEREFORE, COMMEND THIS SUBCOMMITTEE FOR ITS LEADERSHIP IN PASSING AN AMENDMENT TO LAST YEAR'S CONTINUING RESOLUTION WHICH INCREASED BENEFITS FROM 99% TO 100% OF THE THRIFTY FOOD PLAN. MOREOVER, I WOULD LIKE TO COMMEND THE SUBCOMMITTEE CHAIRMAN FOR HIS INTRODUCTION OF THE HUNGER RELIEF ACT LAST YEAR. AS ORIGINALLY PROPOSED, H.R. 5151 CONTAINED A NUMBER OF BENEFIT EXPANSIONS WHICH I HOPE THIS SUBCOMMITTEE WILL AGAIN CONSIDER DURING THE REAUTHORIZATION DEBATE.

OF PARTICULAR IMPORTANCE TO LOW INCOME FAMILIES IN MASSACHUSETTS, H.R. 5151 WOULD DE-COUPLE THE SHELTER AND DEPENDENT CARE DEDUCTION AND SET MAXIMUM DEDUCTIBLES FOR SHELTER AND DAY CARE AT $150 AND $160, RESPECTIVELY. HEATING AND SHELTER COSTS IN NEW ENGLAND ARE AMONG THE HIGHEST IN THE NATION. ACCORDING TO ONE SURVEY, MEDIAN RENTS IN BOSTON ARE THE HIGHEST IN THE COUNTRY. YET IN THE PAST FOOD STAMP POLICY HAS NOT ADJUSTED FOR THESE GEOGRAPHICAL DIFFERENCES IN COSTS. THEREFORE, FAMILIES HAVE OFTEN HAD TO MAKE THE

DIFFICULT CHOICE OF "HEATING OR EATING." BY DE-COUPLING AND INCREASING THESE DEDUCTIONS, FOOD STAMP ALLOTMENTS WOULD BE ADJUSTED TO COMPENSATE FOR THESE HIGHER COSTS BORNE BY NEW ENGLAND FAMILIES. SIMILARLY, THE ESTABLISHMENT OF A SEPARATE DAY CARE DEDUCTION WILL PROVIDE A GREATER INCENTIVE FOR MOTHERS WITH CHILDREN TO SEEK EMPLOYMENT AND STAY EMPLOYED.

THE HUNGER RELIEF ACT ALSO WOULD PROVIDE FOR A LONG OVERDUE ADJUSTMENT OF RESOURCE LIMITS. FOR INSTANCE, NON-ELDERLY HOUSEHOLDS MUST HAVE ASSETS OF LESS THAN $1,500 TO BE ELIGIBLE FOR BENEFITS. YET THESE ASSET LIMITS HAVE NOT BEEN INCREASED SINCE 1971. AS A RESULT, MANY NEEDY FAMILIES HAVE GONE WITHOUT BENEFITS, PARTICULARLY THE "NEW POOR" WHO WERE DEVASTATED BY THE 1982 RECESSION. EVEN THE PRESIDENT'S TASK FORCE ON FOOD ASSISTANCE RECOMMENDED INCREASING ASSET LIMITS AS PROVIDED IN THE HUNGER RELIEF ACT.

FINALLY, H.R. 5151 WOULD ADJUST FOOD STAMP BENEFITS FOR INFLATION BASED ON PROJECTED FOOD COSTS FOR THE COMING YEAR. THE RETROSPECTIVE MANNER IN WHICH INFLATION INCREASES ARE FACTORED INTO FOOD STAMP ALLOTMENTS, ALONG WITH WITH THE DELAYS IN INDEXING BENEFITS OVER THE LAST FEW YEARS, HAVE SERIOUSLY ERODED THE REAL PURCHASING POWER OF THESE BASIC LEVELS OF ASSISTANCE. ALTHOUGH FEDERAL BUDGET CONSTRAINTS MAY NOT BE ABLE TO ACCOMMODATE A PROPOSAL AS AMBITIOUS AS THAT CONTAINED IN H.R. 5151, EFFORTS SHOULD BE MADE TO ENSURE THAT FOOD STAMP BENEFITS MORE CLOSELY TRACK ACTUAL INCREASES IN GROCERY STORE PRICES.

MODEST BENEFIT EXPANSIONS SUCH AS THOSE OUTLINED ABOVE ARE NECESSARY TO REVERSE PAST CUTS IN THE FOOD STAMP PROGRAM, CUTS WHICH HAVE BEEN COMPOUNDED BY REDUCTIONS IN OTHER FEDERALLY SUPPORTED INCOME SUPPORT PROGRAMS. THE HUNGER RELIEF ACT REPRESENTS AN IMPORTANT STEP IN GUARANTEEING A BASIC LEVEL OF FOOD ASSISTANCE FOR ALL AMERICANS SUFFICIENT TO MEET BASIC NUTRITIONAL NEEDS. AS SUCH, IT GOES A LONG WAY TO RESTORING THE BASIC INTEGRITY OF THE FOOD STAMP PROGRAM TO ITS PRE-OBRA FORM.

I MENTIONED EARLIER IN MY REMAKS THAT A LARGE SEGMENT OF THE COMMONWEALTH'S POPULATION HAS BEEN LEFT UNTOUCHED BY THE GENERAL ECONOMIC UPTURN. YET, POLICIES CAN BE DESIGNED TO HELP THE POOR LIFT THEMSELVES OUT OF POVERTY. UNDER THE LEADERSHIP OF GOVERNOR DUKAKIS, THE DEPARTMENT OF PUBLIC WELFARE HAS EMBARKED ON AN EMPLOYMENT AND TRAINING PROGRAM, ET CHOICES, WHICH, TO DATE, HAS MET WITH INCREDIBLE SUCCESS IN PLACING AFDC RECIPIENTS IN PRIVATE SECTOR JOBS. FUNDED BY STATE AND FEDERAL WIN DOLLARS, ET CHOICES PROVIDES NECESSARY CAREER ASSESSMENT, TRAINING, PLACEMENT, AND SUPPORT SERVICES-TARGETED TO THOSE WHO CAN MOST BENEFIT-TO PROMOTE THEIR LONG-TERM EMPLOYABILITY. TO DATE, THE ET APPROACH HAS RESULTED IN THE PLACEMENT OF OVER 13,000 RECIPIENTS IN JOBS IN LITTLE OVER A YEAR OF OPERATION.

DESPITE THE MASSACHUSETTS ET EXAMPLE, THE ADMINISTRATION PERSISTS IN ITS ATTEMPT TO REQUIRE THAT FOOD STAMP RECIPIENTS PARTICIPATE IN STATE ADMINISTERED COMMUNITY WORK EXPERIENCE PROGRAM (CWEPS) AS A CONDITION OF ELIGIBILITY. SUCH AN

APPROACH IGNORES THE BASIC MESSAGE OF ET: THAT AN APPROACH WHICH UTILIZES THE RIGHT MIX OF TRAINING AND SUPPORT SERVICES CAN BE EFFECTIVE IN PROMOTING ECONOMIC SELF-SUFFICIENCY. CWEPS, RATHER THAN BEING A TRUE ATTEMPT AT INCREASING THE EMPLOYABILITY OF RECIPIENTS, WOULD ONLY SERVE TO DISCOURAGE NEEDY INDIVIDUALS FROM APPLYING FOR CRITICAL NUTRITIONAL ASSISTANCE.

THEREFORE, I WOULD URGE THIS SUBCOMMITTEE TO IGNORE THE ADMINISTRATION'S FY'86 PROPOSAL FOR MANDATORY CWEP PARTICIPATION BY FOOD STAMP RECIPIENTS. BASED ON OUR ET EXPERIENCE, I WOULD SUGGEST A DIFFERENT APPROACH. TO THE EXTENT THAT THE JOB SEARCH PROVISIONS IN THE HUNGER RELIEF ACT ALLOW US TO EMPLOY THE ET APPROACH IN THE FOOD STAMP PROGRAM, I AM GENERALLY SUPPORTIVE. I WOULD ADD, HOWEVER, THAT SANCTIONS FOR NON-PARTICIPATION IN EMPLOYMENT AND TRAINING ACTIVITIES SHOULD BE AVOIDED AS COUNTERPRODUCTIVE TO THE BASIC GOALS OF THE PROGRAM.

FINALLY, I WOULD LIKE TO SPEAK TO THE QUALITY CONTROL/ FISCAL SANCTION PROVISIONS CONTAINED IN THE HUNGER RELIEF ACT. AS IT PASSED THE HOUSE LAST YEAR, H.R. 5151 WOULD HAVE SUBSTANTIALLY INCREASED FISCAL SANCTIONS TO STATES FOR ERRORS IN ADMINISTERING THE PROGRAM. THIS WOULD HAVE BEEN ACCOMPLISHED BY DETERMINING SUCH SANCTIONS AS A PERCENTAGE OF TOTAL BENEFITS RATHER THAN ADMINISTRATIVE COSTS, AS IS PRESENTLY THE CASE.

I WOULD OBJECT TO THIS PROVISION ON A NUMBER OF GROUNDS.

FIRST, THE SYSTEM OF QUALITY CONTROL ITSELF IS RIDDLED WITH FLAWS AND INCONSISTENCIES. TO BASE INCREASED SANCTIONS ON SUCH A SYSTEM CANNOT BE JUSTIFIED UNTIL STRIDES ARE MADE TO IMPROVE THIS SYSTEM TO MORE ACCURATELY REFLECT STATE ERRORS. SECOND, SUCH A POLICY IS BASED ON THE FAULTY ASSUMPTION THAT STATES ARE NOT CONCERNED WITH ERRORS IN PUBLIC ASSISTANCE PROGRAMS. YET, STATES, SUCH AS MASSACHUSETTS HAVE SIGNIFICANTLY REDUCED THEIR FOOD STAMP ERROR RATES OVER THE LAST SEVERAL YEARS.

FINALLY, AND MOST IMPORTANTLY, SUCH SANCTIONS WOULD SHIFT A SIGNIFICANT SHARE OF THE COSTS OF THIS FEDERAL RESPONSIBILITY ONTO STATE GOVERNMENT. IT IS WRONG TO THINK THAT COST SHIFTING OF SUCH MAGNITUDE WILL NOT HAVE AN IMPACT ON THE POOR. GIVEN THE LIMITED DOLLARS AVAILABLE AT THE STATE LEVEL FOR HUMAN SERVICES PROGRAMS, SUCH SHIFTING WILL EVENTUALLY LEAD TO BENEFIT CUTS IN OTHER PROGRAMS OR POSTPONEMENT OF OTHER INITIATIVES THAT SERVE LOW-INCOME PEOPLE.

THANK YOU AGAIN FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE.

Testimony of

Charles M. Atkins
Commissioner, Massachusetts Department of Public Welfare

Thank you for the opportunity to testify before your committee on the importance of the reauthorization of the Food Stamp program.

The Food Stamp Act of 1964 recognized a widespread and dangerous problem -- that individuals and families subsisting on incomes which classified them as in poverty were financially incapable of meeting the basic human need of purchasing food for their families. The need is just as real today. Reports indicate that hunger and malnutrition are on the rise in some communities in Massachusetts and across the nation and the Food Stamp program remains the single most important government program aimed at reducing hunger and malnutrition among the nation's poor.

The Massachusetts Department of Public Welfare, which administers the Food Stamp program in the Commonwealth expects to serve over 140,000 households this year (FFY 1985). The over 340,000 individual recipients that are members of the households will receive benefits totaling $170 million. This assistance is vital to those low income households. Even with their benefits, however, the incomes of many of these households will still be far below the national poverty level. For example, an AFDC family with no other income will receive a monthly AFDC grant of $396, plus a food stamp allotment of $157, for a total monthly income of $553. This monthly income, which is the maximum the family can receive from AFDC and the food stamp program, is still $152 below the poverty level. Any decrease in food stamp benefits would cause these families to sink even deeper into poverty.

Among all Massachusetts food stamp households, the working poor as well as AFDC recipients, average food stamp benefits are slightly over $100 per month, or approximately 46 cents per person per meal. With benefits so meager, we frequently hear from soup kitchens and food banks that, toward the end of every month, they see large numbers of food stamp recipients whose monthly benefits have run out.

We are also concerned that there continue to be regular cost-of-living increases in food stamp benefits. Here in Massachusetts over the last two years, we have attempted to update AFDC benefit levels to at least keep pace with increases in the cost-of-living. Unless food stamp benefits are also updated, however, AFDC recipients who receive cost-of-living increases find that decreases in their food stamp benefits offset part of the AFDC increase and that their spending power actually declines over time.

I would like to use my time here today to highlight a few issues of importance to food stamp recipients in the Commonwealth and to the state agency charged with administering the program.

First, on the benefit side, the Commonwealth strongly supports the proposal to separate the excess shelter and dependent care deductions available to recipients. In Massachusetts over 56% of our food stamp caseload spends more than the $134 excess shelter/dependent care cap in rent and utility expenditures alone. This deduction is an important feature of the program in bolstering the food purchasing power of recipients in Massachusetts, where the cost-of-living, particularly for shelter and utilities, is extremely high. An excess shelter deduction of $150 along with a child care deduction of $160 (consistent with the AFDC program) are recommended.

This recommendation is consistent with the policy statement adopted by the National Governors' Association earlier this week.

The second area I would like to raise is the area of quality control. Like many other states, Massachusetts is above the target error rate of 5% for the food stamp program. This is despite the fact that we are the first state to have issued photo identification cards statewide and have aggressive computer matching programs thanks to the assistance of Representative Atkins in his tenure as Chairman of the Ways and Means Committee of the Massachusetts Senate.

In the last year, however, our error rate has dropped dramatically. We believe this is in large part due to a year of relatively few changes in food stamp law and regulation and urge the committee to keep the effect of various changes on the error rate in mind during the reauthorization. When workers have to be retrained to adapt to frequent policy changes and when the program is in constant flux, there are bound to be more errors. Food Stamp error rates are higher than AFDC and Medicaid in nearly every state due to these regulatory and program changes, as well as the inconsistent definitions between Food Stamps and AFDC, particularly the differences in household composition, resource limits, and countable income (for example, the counting of Pell grants). We need your help to run this program efficiently -- administrative consistency between the Office of Family Assistance and Food and Nutrition Service will do a lot more to bring down the error rate than raising the quality control sanctions against the states. This penalty approach has not worked in the past and I would oppose any renewal of the proposal in HR 5151 which would increase these penalties.

An example of the dilemma states face in error reduction is illustrated by last year's Deficit Reduction ACT (DEFRA) which made a number of changes in public assistance programs. Recognizing the difficulties states face in implementing these changes, the Department of Health and Human Services (HHS) put a one-year moratorium on sanctions resulting from DEFRA implementation errors. But despite the fact that some provisions of DEFRA, such as the disregard of the first $50 in child support in the AFDC program, will cause food stamp errors, FNS has consistently refused to grant state administrators the same consideration. Ideally, this amount should be disregarded in food stamps as well, but at a minimum the errors should be forgiven for the one year implementation period.

Instead of increasing fiscal sanctions, the committee should be looking at applying some of the provisions of Rep. Robert Matsui's AFDC quality control proposal such as setting the state's error rate at the lower bound of the confidence interval for the sample, adjusting the tolerance level for demographic characteristics and allowing the states to invest potential sanctions in corrective actions.

Another area of importance in the reauthorization related to the error rate is the issue of monthly reporting/retrospective budgeting (MRRB). For the vast majority of recipients MRRB simply does not make economic sense; the administrative costs of processing monthly reports outweigh the potential welfare savings which may be obtained. Also by unnecessarily diverting limited administrative resources to handle MRRB, this requirement detracts from the ability of states to manage the Food Stamp program efficiently and reduce benefit errors. In addition to these administrative concerns, retrospective budgeting puts an undue hardship on clients who lose other sources of income since there is a delay of two months until their food stamp benefit levels can be adjusted to compensate for their drop in income. For these reasons, we do not believe monthly reporting and retrospective budgeting should be mandatory. I want to thank the committee for its excellent handling of this issue in HR 5151 which made MRRB at state option.

Another issue of critical importance to the Commonwealth is the work or job search requirement to be applied to the Food Stamp program. I had the pleasure of briefing your committee staff on a program in Massachusetts which we know works. Called the ET CHOICES program, and run under WIN demonstration authority for AFDC, this program recently placed its 13,000th graduate into unsubsidized employment.

The difference between our approach and the one proposed in President Reagan's FFY 1986 budget is simple -- our program is a client-centered, outcome-oriented program. It is client-centered in that we offer participants a wide menu of choices in pursuing their career objectives. It is out-come oriented in that we aim for and track items such as entry into employment (over 13,000 to date), average wage rates (over $5 per hour or $9,700 anually for full-time workers), job retention statistics (85% after 30 days), and the availability of medical benefits (70% of ET placements).

On the other hand, the Reagan proposal stresses job search and community work experience -- no more than a work-off-your check scheme. Under their proposal a state could place all recipients into job clubs or make-work jobs and never place one person into unsubsidized, private sector employment -- and that state would be in full compliance.

We do not think this is the right way to go in any public assistance program. In food stamps, where most recipients are covered by the applicable work rules of their basic public assistance grant, or in the case of the NPA caseload are usually working or actively involved in job search through the rules and requirements of the unemployment compensation system, this approach seems even more unwise. If a work requirement is adopted, we believe that states should have the authority -- and the funding -- to operate employment and training programs consistent with the ones they are running for AFDC recipients.

On a last note, also in response to the President's FFY 86 budget, I would like to indicate my opposition to a block grant for states to administer the food stamp program. As the proposal was outlined, the amount of the block grant would be based on FFY 1984 expenditures. However, in Massachusetts we are in the process of developing the Massachusetts Public Assistance Control System (MPACS)- a computerized eligibility system which we believe will achieve great savings in all public assistance programs. In food stamps, the savings in benefits would be 100% Federal dollars. However, the administrative block grant proposal would necessitate total state funding of the system, since computerization expenditures would fall above the cap. Under this approach there would be no incentive to include food stamps in the coordinated eligibility system. I urge that the committee reject the block grant and consider raising the match for computer development funding from 75-25 to 90-10 as it is in Medicaid and AFDC.

Thank you for allowing me to share these concerns with the committee. If you have any questions, I would be happy to answer them.

March 1, 1985
submitted by:
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The Boston Growth Survey

Changes in food/nutrition benefit programs, particularly related to cutbacks in funding, have increased concerns regarding the effects of lack of resources for food purchase on children living in poverty. The Boston Growth Survey reflects an effort to describe a population at high risk for the consequences of program cutbacks and will evaluate the impact of these changes on the growth of children.

Five hundred inner-city children, ages 6 months to 6 years, (the period of greatest risk to the long term developmental sequelae of undernutrition), recruited from users of the Boston City Hospital Pediatric emergency room, are currently being followed prospectively over a one year period. Study subjects were chosen randomly with one exception; children previously identified with growth failure were intentionally excluded because the survey is intended to assess the effects of budget changes on children who, at the starting point, appear nutritionally intact, and because children identified with failure to thrive tend to need extensive services and interventions well beyond those available through food benefit programs. Data collection began in February 1984 and will continue through March 1986.

For each child in the survey, anthropometric measurements, food program participation, and general sociodemographic information are collected at six month intervals over a one year period. Therefore each child will have three points of data collection at the end of the survey. Anthropometric measurements include height and weight data on each child. Benefit program participation includes information on enrollment in or use of WIC, food stamps, AFDC, emergency food, subsidized meals, and soup kitchens. Sociodemographic information includes age, sex, race, household size and composition, parent education and employment, and household income (including the value of benefits received). In addition, information is collected on changes in benefits received over the six month period prior to each contact and perceived reasons for these changes, if known.

To date, preliminary analysis has been conducted on the first contact data for 213 children from 159 households representing approximately two-fifths of the total sample and does not include information on the follow-up contacts at six months and twelve months. Further analysis of the total sample for the first contact is pending and should be completed in the Spring 1985. Evaluation of follow-up contact data will be undertaken on completion of the survey (March 1986).

From this preliminary analysis, a variety of descriptive information is available which may be of interest, particularly with respect to issues involving the food stamp and emergency food programs. The survey population is evenly distributed by age (6 months to 6 years), evenly distributed by sex, a majority (over 60%) of the children live in single parent households and a large majority of households live in poverty (income data is not yet sufficiently analyzed for reporting). A majority of the subjects represent minorities (58% Black, 13% Latin, 17% White, 1% Asian, 2% Native American, 8% Cape Verdian, 1% other) and educational status of parents show that 54% of mothers and 40% of fathers had completed high school. Approximately ½ of the children receive WIC benefits and ½ of the households receive food stamps. Just over 3% of survey children had lost WIC benefits and 6% of households had lost food stamp benefits over the six month period prior to initial contact. Analysis of growth data shows the study population is evenly distributed along standardized growth curves as was originally intended by the study design which excludes children with known growth failure. Further analysis of anthropometric measurements will be undertaken only when sufficient numbers of follow-up measurements have been completed.

As is shown in Table I, one-fifth of the surveyed households reported use of emergency food programs in the six month period prior to the initial contact. Emergency food programs range from surplus food distribution to food pantries. Of note is the observation that only 2 households (6%) out of those reporting use of emergency food programs were not concurrently already receiving either WIC or food stamp benefits, or both. Looking at this information from another perspective, 23 households (29%) out of the total 79 surveyed households dependent on food stamps, had sought resources from emergency food programs. Furthemore a large number of food stamp dependent households reported that although seeking food from food pantries was an embarrassing and unpleasant experience, they were, in fact, forced to utilize these resources because their food stamp benefits were frequently inadequate to get through the month.

Of equal concern with respect to food benefit programs is the observation that 50% of households reported that food buying was more difficult at the initial contact point than it had been six months earlier, as compared to 7.5% who report food buying as easier (Table II). The major reasons cited for this included: higher food prices, lower household incomes, increased non-food expenses, and increased appetities of children as they grow. Along similar lines, twice as many households (30%) reported a worsening of their household income from six months earlier than those reporting an improvement (15%). Reasons given for this included: recent unemployment or entry into lower paying jobs, decrease in or loss of benefits received, and incomes not keeping up with rising expenses.

Lastly, it is important to report on some information reflecting the human element of this situation. Household members have provided the survey staff with a variety of anecdotal material addressing the problems families face in seeking and using food assistance programs. This material illustrates a range of issues that people must address in obtaining adequate food resources for themselves and their children. These include statements on the emotional stresses in enrolling in or using a benefit program and the level of sophistication poor families must develop in order to juggle their resources to survive. Listed below are some representitive statements illustrating these issues:

Emotional Stresses

1. "I'm won't go to a food pantry. It's embarrassing and I feel shy to go there even though I do not have enough food in the house."

2. "I'm afraid someone I know will see me there (food pantry)."

3. "I feel bad about being on welfare. I'd rather be able to support my family on my own."

Juggling Skills

1. "I don't know if I'm better or worse off," said the mother of a child with heart disease. "I work part-time which is better than welfare, but my Medicaid and welfare were cut. My food stamps increased, but I would rather have Mediciad; I couldn't afford to call an ambulance last month to take my son to the hospital."

2. "The welfare check went up, so they cut the food stamps," said a mother of two, "but things are harder because my rent went up too."

The Boston Growth Survey is still ongoing and formal evaluation of the data will not be complete until the Spring of 1986. However, this preliminary information reflects that emergency food programs are used extensively by families who without this resource might not be able to feed their children. The fact that many of these families are also dependent on other food benefit programs, such as food stamps, suggests that resources from any one individual program may not be adequatley meeting the needs of families living in poverty. In addition, statements made by family members reflect that dependency on these programs is far from pleasant but these families may have no other alternatives.

(Attachment follows:)

TABLE I. Households use of Emergency Food Programs in Boston Growth Survey
(N=159)

Use of Emergency Food Programs	Number	Percent
Yes	33	20.8
No	124	78.0
Unknown	2	1.3
TOTAL	159	100.0

1. Only 2 households (6%) reporting use of emergency food programs were not receiving either WIC, food stamps or both.

2. Of the 79 households dependent on food stamps in the survey analyzed to date, 23 (29%) reported use of emergency food programs.

TABLE II. Household Reports of Difficulty in Food Buying Now Versus Six Months Ago
(N=159)

Ease	Number	Percent
Easier	12	7.5
Unchanged	65	40.9
Harder	80	50.3
No opinion	2	1.3
TOTAL	159	100.0

1. Of the 159 households analyzed at this point, 30% reported a worsening of household income from six months earlier as compared to 15% who reported an improvement.

Prepared Statement of Michael Lipsky
Professor of Political Science
Massachusetts Institute of Technology

before the
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
of the
Committee on Agriculture of the U.S. House of Representatives
March 1, 1985
Boston, Massachusetts

Mr. Chairman, my name is Michael Lipsky. I am a Professor of Political Science at the Massachusetts Institute of Technology. I am appearing today with Marc Thibodeau, who has been assisting me with all aspects of my research.

I will limit my remarks today to issues of likely concern to the Subcommittee as it considers extending the Temporary Emergency Food Assistance Program (TEFAP), which I have been studying for over a year under a grant from the William H. Donner Foundation of New York.

My remarks are guided by three general perspectives that I have developed in the course of my research, which has included visits to food banks and other emergency feeding organizations, and extensive discussions with local, state, and federal officials.

First, TEFAP has been an important source of supplementary food assistance to people in need.

Second, it has been a vital stimulus to the development of a remarkable national network of private feeding organizations.

Third, the program is needlessly complicated and can be simplified in a manner that enhances its ability to achieve its objectives.

[In making these observations I will be supplementing my remarks and written materials that appear in the Hearings conducted by the Select Committee on Hunger of the U.S. House of Representatives on September 20, 1984.]

Should TEFAP Be Reauthorized?

TEFAP is clearly a program that has reached into thousands of needy households with substantial food assistance. Since December, 1981, when the federal government first released surplus cheese stocks for distribution to needy households and individuals, over 2.1 billion pounds of surplus foods--primarily dairy products but also wheat flour, cornmeal, rice and honey--have been distributed to feed the hungry. The total value of these supplies may be calculated at over $2.7 billion. As many as 19 million people receive food assistance from this program every month.

Moreover, by utilizing community action agencies and food banks run primarily by volunteers (where they exist), the cost to the federal government in executing the program has been quite modest. In FY 1984, for example, the federal government's reimbursement to the states and local distribution agencies amounted to only 3.7 cents for every dollar of food product distributed.

There are three additional reasons to support the reauthorization of TEFAP. First, food banks and local affiliates are dependent for supplies on whatever happens to be available, including products of marginal nutritional value such as salad dressing and twinkies. Surplus dairy products distributed through TEFAP represent stable and reliable sources of protein that have gone far to supplement foods obtained through private contributions.

Second, TEFAP contributions represent a substantial portion of the budgets of local feeding organizations. Extention of the program will allow them to continue operations without having to find resources to make up for lost TEFAP supplies.

Third, and in my view most important, TEFAP has succeeded in reaching a portion of the needy population that has not otherwise been reached by the food stamp program. This conclusion is supported by surveys undertaken by organizations concerned about the adequacy of available support programs, as well as the impressions we have received in discussions with local feeding organizations and people waiting to receive cheese on the lines. For example, 41 percent of TEFAP recipients in

Detroit do not receive food stamps, although they appear to be eligible by virtue of their low income. National estimates of TEFAP recipients who do not receive food stamps range from 30 to 60 percent.

Should TEFAP Be Reauthorized Although Dairy Surpluses Are Rapidly Declining?

The decision to reauthorize TEFAP must be taken with clear recognition that supplies of butter will have been entirely used up by the end of the current fiscal year, and cheese stocks will have been significantly depleted. We estimate, and USDA figures confirm, that only 350 million pounds of cheese are likely to be on hand at the end of September, 1985, a figure down from over one billion pounds nearly four years ago. Surplus cheese will be sufficient to maintain the program only half way through the next fiscal year if current rates of disbursal and acquisition prevail.

What will happen to the "cheese giveaway program" when there is no more cheese to give away?

While most local feeding programs will sorely miss the availability of cheese as a reliable source of dietary protein, not every local feeding organization will be upset if the program were to continue as a dry commodities program.

For one thing, it is expensive and cumbersome for many local organizations involved in mass distributions to receive, store, and distribute cheese because of the need for coolers, refrigerated trucks, and associated equipment. Many community action agencies that play critical roles in surplus distribution in approximately 40 states might welcome an end to cheese distribution if it were accompanied by expansion of the program to include a good mix of other surplus products.

For another thing, the administrative costs of the program would be considerably lower if these organizations, which do not handle food as part of their normal activities, no longer would have to pay for cooler space or other special expenses associated with cheese. The current reimbursement formula, which reimburses by food value rather than by weight or bulk, would also support a cheaper program of rice or flour substituted for relatively expensive cheese and butter.

Should The Congress Continue To Provide Reimbursement For Administrative Expenses Associated With TEFAP?

The President's budget calls for the elimination of federal reimbursement to states and local distribution agents for administrative expenses. This proposal is misguided and would significantly harm the national effort to direct surplus foods to needy households. There is reason to believe that monies available even under current policy are inadequate and, as a result, state and local efforts under TEFAP are significantly constrained.

The proposal to eliminate administrative cost reimbursement, as I understand it, is partially based upon the belief that current expense allotments are not being used. This is substantially untrue. Although the final accounting for fiscal year 1984 is not complete, 85 percent of all funds authorized to offset state and community organization administrative costs have been claimed. The figure rises to over 91 percent if four states and Puerto Rico are excluded. Thirty-one out of 50 programs spent more than 90 percent of their authorized funds.

It is true that some local agencies in some states choose not to seek reimbursement for expenses, and some are unable or unwilling to undertake the necessary paperwork. But the evidence does not suggest that returns to the treasury from TEFAP administrative reimbursement expenses are vast.

What is more, there is reason to believe that local agencies are hindered in surplus distribution efforts because the expense reimbursements available to them are not sufficient to meet their costs.

Rhode Island, for example, turned down 90 percent of the commodities offered to the state in the second quarter of FY85. In the third quarter it is accepting only two-thirds of the butter and none of the flour, honey and rice that was proferred. Vermont's program is being severely curtailed. The state turned down all of the cheese offered for the first quarter of this fiscal year, and has placed no orders for surplus foods in the subsequent two quarters.

The rate of distribution has diminished at times in over a dozen other states of which we are currently aware. The slowdowns in these states result from local centers cutting back their distribution efforts as expense reimbursements have diminished or been used up.

There are other reasons to reject the proposal to cut administrative reimbursements in TEFAP. First, in most states organizations that serve as distribution agents are not primarily involved in food distribution. Food banks are exclusive distributors of surplus commodities in very few states, and they play a role in commodity distribution in less than half the states. In the others, community action agencies or other public service organizations are the primary distributors.

These organizations accept the obligation to distribute surplus foods because of the urgency of the hunger problem. But they do so at the expense of their other responsibilities. Some USDA officials have argued that local agencies should be happy to have the food without expense reimbursement because they are normally in the business of providing food to the poor. This assertion is irrelevant because in so many states distributors are not food banks and do not normally handle food.

Second, even where food banks do serve as distribution agents, the federal government should provide reimbursement for administrative expenses even though the food banks incorporate government surpluses into their normal operations. This is because for every dollar spent by the food bank network, $120 worth of food is provided to recipients of food bank activities. (This estimate comes from Second Harvest, the national organization that solicits contributions of food from the private sector for distribution by local food banks.) Thus, reductions in administrative expense reimbursements may be expected to have an unexpectedly large impact on the amount of food available to the poor if food banks are required to divert funds from food acquisition purposes to pay for TEFAP administrative expenses.

Third, if food banks do not receive administrative expense reimbursements they will pass along the cost of TEFAP administration like they do their other costs--to the soup kitchens and food pantries that support food bank operations through a levy called a "shared cost" contribution, typically eight to twelve cents per pound. Thus the burden of the proposed elimination of administrative cost reimbursement would actually fall overwhelmingly on local churches and the hard-pressed urban charities that are already stretched to the limit by their commitments to feeding the hungry and caring for the homeless.

Issues in Program Reauthorization

In our research three issues have emerged that deserve attention as the Congress considers reauthorization of the Temporary Emergency Food Assistance Program. These are:

1) problems of equity and availability in surplus food distribution; 2) inappropriate and costly eligibility verification procedures; and 3) excessive bureaucratic accountability standards in administering reimbursement expense claims.

Inequitable Program Availability. In choosing to administer the program through state governments and voluntary, nonprofit local distribution agents, the federal government sought to capitalize on available resources and avoid adding a new layer of bureaucracy to government. This choice has not succeeded in eliminating issues of program accountability (see below), and it has resulted in inequitable treatment of the needs of the hungry through TEFAP. The sources of inequity are as follows.

By allocating product according to a formula incorporating a state's unemployment and poverty indicators, while allowing states to choose (within limits) their own eligibility levels on the basis of income, people with the same income living in different states have significantly different chances of being assisted by the program.

Twenty-four states have adopted a standard of 125-130 percent of the poverty level in determining program eligibility. Twenty-five states have adopted a standard at or in excess of 150 percent of the poverty level, some setting it as high as 185 percent. Clearly, needy people in the former group have a better chance of receiving help because the eligible population in their state is so much smaller.

Of course, TEFAP is hardly the first social welfare program to have problems of equity associated with variability in state eligibility standards. However, the program is also plagued by another source of inequity. Whether or not an eligible household is likely to receive government surplus commodities is highly dependent upon whether there is a community organization in the area that is willing to administer the program.

As of last fall Florida had no distribution in 15 out of 67 counties. Texas had no program in 10 counties for lack of distributing agents. There was no mass distribution in Cleveland for six months last year because the Cleveland Food Bank was fed up with the reporting requirements and refused to continue its participation.

An additional source of inequity, and one much harder to solve, is the problem of getting surplus commodities to people in rural areas. The distances involved in moving surpluses around rural areas create severe problems for organizations attempting to "shop" at food banks or pick up product at distribution centers. They also create problems for rural organizations that incur higher expenses in moving goods while receiving the same reimbursement as urban food banks with lower transportation costs.

Some states have succeeded in undertaking to cut and wrap bulk cheese for less than the amount (12.5 cents per pound) made available to them by USDA to do so. These states have been able to increase the amount of product available to their citizens. This, however, represents a source of inequity that is welcome because the states have increased the total product available.

To cure the problem of inequity in the TEFAP program while maintaining states' independence of action, Congress should require states to insure that product is distributed on a statewide basis. If states are unable to assure that commodities are available on a statewide basis, Congress should be prepared to provide financial incentives to supplement state initiatives to establish local distribution centers in underserved areas.

Inappropriate and Costly Eligibility Standards and Procedures. Over the course of the last four years the federal government has increasingly attempted to push eligibility determination responsibilities onto local distributing agencies, and feeding groups such as soup kitchens, food box operations, and the like. Last July, the Food and Nutrition Service published proposed regulations that would make every food bank and distributing agency responsible for 1) maintaining records sh;owing the data and method used to determine the number of eligible households served by that organization; 2) maintain records (for a period of three years) showing the name of the household members receiving commodities, the address, and the basis for determining that the household is eligible to receive commodities.

This Draconian approach to eligibility for federal commodities is contrary to the charitable impulses which motivate the frontline, voluntary, feeding groups. It is profoundly and understandably alienating to these organizations, which do not aspire to be welfare agencies, and which came forward to address the problem of hunger before the recent period of federal involvement.

These groups resist the increasingly stringent demands made on them to check recipients' eligibility. They believe their altruistic and charitable spirit will be fundamentally damaged if they are required to demand proof of eligibility from friends and neighbors, strangers and "regulars," who will now have to prove what they admit by their presence on the cheese line: that they are hungry, that they do not have enough food for their children.

The increasingly detailed and exhaustive auditing experienced by these programs is disproportionate to any anticipated benefits to government when one considers that the typical distribution to households involves items of less than $15 in value.

Currently, the proposed regulations are "on hold," the subject of further study as a result of the uproar that emerged from the field when they were pronounced. Nonetheless, these proposed regulations have already affected the field. Some states (Ohio, for example) have, in what might be called "anticipatory implementation," adopted plans that conform to what are only proposed regulations. The withdrawal of the Cleveland Food Bank from the network of Ohio surplus distributors is attributable to that organization's rejection of the eligibility determination requirements of the new state plan.

The federal government is wasting money and defeating its purpose of encouraging voluntary, community efforts to feed the hungry by visiting excessively onerous verification requirements on local charitable organizations.

The Congress should seek to insure that eligible people receive surplus food by certifying the eligibility of local distribution organizations rather than the eligibility of individuals. States could certify that local feeding groups indeed serve predominantly poor people in need of food. This would be significantly cheaper and more consistent with the essential nature of the private organizations that have joined government in this partnership of hunger relief if verification of organizational eligibility were substituted for verification of individual eligibility.

There is precedence for this approach in the Summer Food Service Program, in which eligibility is determined by the poverty of the area in which the program is being mounted. No showing of the poverty of every individual program participant is required. As well, the Emergency Food and Shelter Program, set up as part of P.L. 98-8 and later extended by P.L. 98-151, P.L. 98-181, and P.L. 98-396, used a form of organizational eligibility to decide how to disburse relief funds. In this program of the Federal Emergency Management Agency (FEMA) the private non-profit voluntary organization had to submit certification indicating its intent to use funds for their intended purposes. In such a system, auditing and spot checks can still keep organizations accountable, without excessive administrative efforts to keep track of every recipient.

Administering Expense Claims. Currently administrative expenses are reimbursed by states up to 5 percent of the value of the food received by local distribution agencies. At least 20 percent of state allocations must go to local groups. Many observers believe that Congress intended to reimburse local distribution agencies at five percent of value, an amount regarded as reasonable, when it enacted the reimbursement provisions of the Jobs Bill.

However, the amount allocated for expenses nationwide has not permitted any such thing. Indeed, the amount available to reimburse states and local distribution agencies together in FY 1984 amounted to only 4.37 percent of value. Most states allot local agencies more than 20 percent of the statewide allocation, yet the vast majority of local agencies receive nowhere near five percent of value.

A crisis has been averted up to now because many organizations did not know how to make claims for reimbursement, or were discouraged from doing so or decided not to make claims. But as more organizations have made claims, and more organizations have become involved as TEFAP coverage has expanded, the fixed administrative expense budget has become less and less adequate. The result of the "shortfall" between reasonable reimbursement and actual reimbursement has been a slowdown in distribution activities, as mentioned above, as distribution organizations try to survive by matching their activities to their expected reimbursement.

There are other problems associated with administrative expense claims. Distribution organizations seem to receive administrative expense money as a function of how well they are able to handle the bureaucratic requirements, and how zealous they are in pursuing them. Excessive effort and expenses are incurred in preparing and administering claims. States and the federal government also incur costs in processing and auditing claims.

Overall, the system of reimbursing local organizations for expenses is simply too cumbersome for the values involved or the public protection that is received.

To solve the problems associated with current methods of administering local organizations' expense claims states should be allowed to reimburse local distribution organizations on a fixed reimbursement formula based either on the number of pounds of food they process, or the value of the food they distribute. Every local distribution agency would receive proportionately the same amount for expenses, regardless of their actual costs.

This proposal at a stroke would reduce state costs in administering the program, and would eliminate a major source of dissatisfaction and tension. It would treat every distribution organization alike, which would be an improvement over the current system.

Importantly, this proposal would change the incentive structure for local organizations. Under the current system the program simply rewards organizations for making expense claims up to some limit. Thereafter, there are no financial incentives to continue to participate. This leads to the sluggish behavior of some food distribution agencies in recent months, as they have discovered they lacked the resources to continue food operations at optimal levels.

In contrast, the incentives under our proposal would continue to reward organizations for each increment of product they accepted and distributed, and would reward them for innovating to reduce expenditures while maintaining distribution levels.

An additional advantage is that this system would regularize administrative subsidy payments, thus curing the severe problems of irregularity of reimbursement that nonprofit organizations often experience in their dealings with state and federal agencies. It would also solve the often vexing zero-sum conflict that Congress has set up in its reimbursement formula because state agencies and local distribution outlets must compete for their share of a single state allocation.

This proposal deserves consideration independent of the level of administrative support Congress considers appropriate. Whatever the level of support in coming years, it would be simpler and more effective to administer reimbursement through formula than to continue with the current system of reimbursement for claimed expenses only.

Boston
Food Bank 70 Amory St. Boston, MA 02119 617-427-5831

Testimony on TEFAP (Temporary Emergency Food Assistance Program)
Submitted by
Nan Johnson/Boston Food Bank

To
U.S. House of Representatives
Committee on Agriculture
Subcommittee on Nutrition

On March 1, 1985

As Agency Relations Manager of the Boston Food Bank, and on behalf of our sister food banks in Worcester and Western Massachusetts, I am testifying in support of the federal nutrition and food assistance programs, especially TEFAP.

In my remarks, I will only address that part of TEFAP that has made the seven U.S.D.A. commodities (flour, cornmeal, rice, honey, dry milk, cheese and butter) available to food banks for distribution to hundreds of small emergency food pantries. The pantries, in turn, serve needy individuals who can come at any time during the month. In 1984 the three food banks distributed over 1,796,000 lbs. of commodities to over 250 pantries. Our experience has been a positive one. The program works - and fewer people are going hungry because of it.

The 250 plus pantries form a fragile network that has sprung up in the past few years as more and more people fell through the so-called safety net and could no longer make ends meet. The pantries are, for the most part, run by volunteers and are often housed in churches. They have few resources, depending almost entirely on private contributions of cash and food. Though they have multiplied by the dozens in all parts of the state, they are still often overwhelmed by the demands placed upon them.

As I surveyed these pantries in preparation for my testimony, I was struck by two things:

First, though the people I interviewed ranged from a black Pentecostal pastor in Dorchester to a white mother of two in the suburbs, the universal response to my suggestion that the U.S.D.A. commodities program might be eliminated was this: "DISASTER! That would be a disaster for our program and for our people."

Second, pantries told me "things are getting worse out here, not better." More and more people are requesting emergency or supplemental food, and many families were requiring emergency food for the first time. It was not uncommon to hear of 100% increases in the numbers served in 1984, compared to 1983. Those in need often cite the inadequacy of their benefits (food stamps, AFDC, etc.) In fact, many of the referrals to pantries came from the Welfare Dept.

Ironically, these are the exact same stories I heard more than a year ago as I prepared my testimony for the Physicians Task for on Hunger. I could have written this testimony, as it turns out, without even talking to the pantries a second time. I wonder how many times we need to say the same thing.

Our support for TEPAP is based on the following observations:

1) Because few pantries have operating budgets for food, the seven commodities, available at no cost, form the very backbone of their operation. If TEPAP is cut, most pantries will loose their most stable source of nutritious food.

2) People really need the food. As one Spanish-speaking woman from a church pantry in Lawrence put it, "It's like if you don't have rice that day, you die." Often staples such as rice are not available through regular food bank donations.

3) As successful as food banks have become, the U.S.D.A. commodities program is still the only reliable source of staples. None of the food banks receive enough protein donations, so the milk and cheese are critical, especially for the women and children who form the bulk of those who go hungry. Food banks are simply not a consistent source of food sufficient for a balanced diet.

4) Distribution through pantries has been an important compliment to mass distributions. Because people are sometimes embarassed to go to a town hall for the big give-aways of dairy products, receiving food at a local church pantry helps preserve peoples' dignity. It helps prevent the elderly and infirm from waiting on long lines, exposed to bad weather. I must add, however, that long lines still form at many pantries, even though the pantries do NOT advertise. People need the food and are willing to go to some trouble to receive it.

Before I close, I would like to commend the State Bureau of Nutrition for their conscientious, efficient administration of the program. They have bent over backwards to accomodate and respect the needs and limitations of the participating programs. As to the question of whether elibility and verfication requirements are appropriate, most pantries have found them workable. While no one likes the paperwork (and some pantries have cited extra paperwork as their reason for not participating) most felt they could handle it , once it was explained. They felt the food was worth the effort.

I would strongly caution against making the requirements any more stringent. Pantries have said over and over again that the vast majority of people do NOT abuse the program. The amount of paperwork required to catch every last abuser would be so horrendous that most, if not all, pantries would drop out. A minimum amount of paperwork is consistent with the pantries' desire to avoid "hassling" their people with any more bureaucracy. Those in need get enough hassles already!

In conclusion, TEFAP has served well the neediest programs, the pantries, which in turn serve the poorest people. The foods are popular with people, come in fairly convenient sizes, and provide good nutrition. Granted, we are only talking about emergency food, at best - a temporary short-term response to the long-term problems of poverty. Nevertheless, if TEFAP is eliminated, there will be an even greater epidemic of hunger.

(Attachment follows:)

WESTERN MASSACHUSETTS FOOD BANK
BREAKDOWN OF USAGE BY TYPE AND COUNTY
SEPTEMBER 1984 - JANUARY 1985

	W.M.F.B.		U.S.D.A.		TOTAL	
COUNTY	#	%	#	%	#	%
Vermont	22,206	6.80	-	-	22,206	4.29
Franklin	25,916	7.93	65,204	34.23	91,120	17.62
Hampshire	129,932	39.78	64,564	33.90	194,496	37.61
Hampden	122,372	37.46	60,711	31.87	183,083	35.40
Berkshire	26,206	8.02	-	-	26,206	5.07
TOTAL	326,633	-	190,479	-	517,112	-

abcd Action for Boston
Community Development
Inc. 178 TREMONT STREET, BOSTON, MASSACHUSETTS 02111
TELEPHONE: AREA CODE (617) 357-6000

March 14, 1985

Representative Leon E. Panetta, Chairman
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Room 1301
Longworth House Office Building
Washington, D.C. 20515

Dear Representative Panetta:

Enclosed please find information on the Surplus Commodities Program for Needy Households in the city of Boston. We attended your Hearings at the State House on March 1, 1985 where testimony was given regarding the need for at least level funding for the Surplus Commodities Program. We agree with testimonies given, as well as, to the need by many in the city of Boston for the extra help that the surplus food provides.

As Boston's official anti-poverty agency, we are able to attest to the need of many low-income residents who call us seeking food. We appreciate your consideration for the refunding and continuance of this program. Thank you.

Sincerely,

Lisa Barnes
Lisa Barnes, Coordinator
Surplus Food Program

Richard Murphy
Richard Murphy, Coordinator
Surplus Food Program

(Attachment follows:)

JEAN M. BABCOCK, *President;* EDRICK S. BAIN, *Vice President;* MARY ELLEN FLYNN-MONAHAN, *Vice President;* CHARLES L. GREEN, *Vice President;* VIVIENNE S. THOMSON, *Vice President;* STANLEY N. WILLIAMS, *Vice President;* ROBERT H. GARDINER, *Treasurer;* F. DOUGLAS COCHRANE, ESQ., *Clerk;* ROBERT M. COARD, *Executive Director*

THE SURPLUS FOOD PROGRAM
IN
BOSTON

Action for Boston Community Development has, for the past year and a half, coordinated the federally funded Surplus Commodities Program, the Temporary Emergency Food Assistance Program (TEFAP) for needy households in all the neighborhoods of Boston. This program is funded from the Department of Agriculture through the Commonwealth of Massachusetts Department of Education, who in turn contract with ABCD to coordinate and run the food distributions.

We are aware from various recent studies and some media stories about the problem of hunger in the city of Boston. This program has demonstrated proof of the need in numerous ways: Phone calls alone, whether they concern inquires about our program or whether someone has heard that our agency has "food", validate the large number of people who need assistance in this area. The Surplus Commodities Program is established in our city to help in taking the "edge" from the hunger of many in the city's needy households.

Our program services families where the economic recovery has not yet become a fact. Increasingly, the"working poor" request food and join our food lines for the surplus commodities ~~to help alleviate~~ their need. The Commonwealth has a low-unemployment rate at the moment. Boston itself, however, has a higher unemployment rate than the Commonwealth as a whole and this fact is also evidenced in the families we talk to and service with food.

We recognize that these are days of fiscal and domestic program cutbacks. The Surplus Commodities Program (TEFAP) is a program that empties full storage food warehouses of government surplus and gives the food directly to the needy households of many Americans who are in fact hungry and needy during many days of the year. The Surplus Food Program services over 50,000 households in Boston alone each quarterly distribution. The program is run with the help of many community volunteers as well as some paid-for-the-day staff (mostly unemployed) workers from each community. In addition, many neighborhood agencies join the effort to bring the food to the elderly and handicapped who need the food but are unable to bring themselves to the public distributions. Administrative monies should be refunded to allow a smooth administration of the program and provide a much needed program to the many low-income families in our city.

The Somerville Corporation
Multi-Service Center

ONE SUMMER ST.
SOMERVILLE, MASSACHUSETTS 02143
(617) 776-5931

PROJECT SOUP
CONSUMER PROTECTION
HOUSING DEV. & REHABILITATION
ECONOMIC DEVELOPMENT
NON-PROFIT OFFICE SPACE
JOB REFERRALS
MEETING ROOMS

March 7, 1985

Honorable Leon Panetta
Subcommittee on Domestic Marketing
House of Representatives
Washington, D.C. 20515

Dear Congressman Panetta:

We at Project SOUP of the Somerville Multi-Service Center have seen a dramatic increase in the needs of the hungry in the past year. Project SOUP operates an Emergency Food Pantry and three weekly suppers. In our pantry, the increase has been particularly dramatic. In January 1983, 30 families came in requesting emergency food, in January 1984 the number rose to 53, and in January 1985, 185 families needed emergency food. Even that recent alarming figure rose again to 205 families in February 1985 (in the last week of February alone 89 families needed food.) Every month, more and more people come in, people without food and without anywhere else to turn. Many of these people are elderly living on fixed incomes or single parents barely able to cope financially. Most of them have been severely affected by cuts in Food Stamps, unemployment, and rising rents.

Project SOUP relies heavily on monetary and canned food donations from area churches, businesses, agencies, and individuals, and will continue to do so. As more and more people come in, however, the USDA Surplus Commodities and FEMA grant money have become crucial to enable us to meet the rising need. There are times when Surplus Food is all we have to give to families. Without this assistance, we would have to turn needy people away. With it, we are always able to give families food assistance in emergencies.

We are concerned about the impact of proposed budget cuts on our clients, particularly reductions in Food Stamps and Surplus Commodities. We have already seen huge increases in people without enough food because of past budget cuts. We fear that further cuts will severely limit our ability to help needy people and that many more people will go without enough food. Families that come into the pantry and the elderly that attend our suppers express great concern about the current administration's plans to reduce benefits to low income people. When we asked the people at one of the suppers how they felt about the proposed cutbacks the reply was loud and clear; they are very fearful for themselves and for their families about their ability to get adequate

SERVING THE COMMUNITY SINCE 1969

The Somerville Corporation
Multi-Service Center

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PROJECT SOUP
CONSUMER PROTECTION
HOUSING DEV. & REHABILITATION
ECONOMIC DEVELOPMENT
NON-PROFIT OFFICE SPACE
JOB REFERRALS
MEETING ROOMS

food and shelter. Often single parents coming to the pantry express the same concern; they are forced to choose between housing and food.

The increased use of Project SOUP's Pantry and Supper Programs testify to the unmet need in Somerville; further reductions would only exacerbate the situation. We appeal to you as the Chairman of the Subcommittee on Domestic Marketing to continue to exercise your leadership in preventing further cuts in Food Stamps and Surplus Commodity Distribution. Food is one of the most basic issues of life. This country has the resources to prevent hunger; all we need is the will.

Sincerely,

Cynthia Brown
Cynthia Brown
SOUP Coordinator

John Taylor
Executive Director

BARNEY FRANK
4TH DISTRICT, MASSACHUSETTS

COMMITTEES:
GOVERNMENT OPERATIONS:
CHAIRMAN,
SUBCOMMITTEE ON
MANPOWER AND HOUSING
BANKING, FINANCE, AND
URBAN AFFAIRS
JUDICIARY
AGING

Congress of the United States
House of Representatives
Washington, D.C.

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STATEMENT BY REP. BARNEY FRANK ON FEDERAL FOOD ASSISTANCE PROGRAMS, FOR THE RECORD, BEFORE THE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION

MARCH 1, 1985

Mr. Chairman, members of the subcommittee, thank you for allowing me to submit a statement for the record on the operations of federal food assistance programs in Massachusetts. I want to commend you for scheduling this hearing in Boston to give people of this region an opportunity to inform you of their experiences with these programs. The extent to which food assistance programs are helping needy Americans is an important subject. Your efforts to collect all the information available by visiting the soup kitchen at St. John's Evangelist Church are admirable.

During the recent Congressional district work period, I visited community groups, school superintendents, and selectmen in my district. I want to share with you their concerns about federal food assistance programs. I heard repeatedly that they were concerned about the President's budget for 1986 and its effect on community services. The people I met are more concerned about the potential budget cuts in the school lunch program, than the President's plan to build star wars in outer space. School superintendents did tell me that the existence of the school lunch program is in jeopardy because of the President's budget. They said the program was in jeopardy for services to all children. I think the President's spending priorities for this nation are wrong. The President's spending priorities are wrong, when he plans to spend 30% of our national budget on military spending and only 1.9% on food and nutrition programs for the poor.

In regard to the School Lunch Program, the Administration told the American public that it was attempting to save money by only cutting funding for paid school lunches but not for the reduced cost or free lunches to needy children. On its face, this sounds like a fair proposal. The Administration doesn't tell people what the real results are of this proposal. The facts are that the federal government has been involved in subsidizing school lunches for all students since 1946. The cost of nutritious school lunches would be prohibitive without federal commodities and financial assistance. The current federal subsidy totals 24 cents for each full price meal, 97.5 cents for each reduced price lunch, and 137.5 cents for each free lunch. Elimination of meals to nonpoor children will impact on the school's ability to provide lunches to all school children. School superintendents tell me if part of the school lunch program budget is cut, they will not be able to offer a lunch program. I urge the subcommittee to review the proposed budget cuts for the school lunch program.

I also want to ask the subcommittee to give close attention to an important special food program for Women, Infants, and Children (WIC) which provides nutritious food to poor children and pregnant women. This is a very cost effective program because many costly health problems are avoided by adequate nutrition at important developmental stages for children. Studies indicate that the WIC program prevents low birthweight children, who are at risk for serious disabilities and a high mortality rate. The Children's Defense Fund says that 22,000 babies will die in the United States from 1985 to 1990 as a result of being born too small to survive. In light of this information, I wish I could tell you that the President's budget increased the funding for the WIC program to reduce the infant mortality rate. According to the Center on Budget and Policy Priorities, in FY1985 Congress appropriated $1.5 billion for WIC, but the Administration proposes to release only $1.424 billion and allow the remaining $76 million to stay in the Treasury. The President's FY'86 budget requests $1.480 billion for WIC, which is portrayed as current services. The Congressional Budget Office has issued its current service estimate for WIC for FY'86 at $1.569 billion. President Reagan's budget for 1986 would serve 175,000 fewer women, infants, and children than if it maintained current services. This whole dispute over WIC current service levels was created by David Stockman's redefinition of current services for WIC in FY'86 by assuming that FY'85 cuts are accepted. I urge the subcommittee to carefully review the WIC funding problems, which have been complicated by the Office of Management and Budget's (OMB) policies.

I want to recommend to the subcommittee a very good report, Hunger in America - The Growing Epidemic, published by the Harvard School of Public Health. I have distributed a copy of this report to every member of the House. A task force of physicians and health experts have documented the growing problem of hunger in our country. They report dramatic increases in the number of people coming to emergency food programs like the soup kitchen you visited here in Boston. These emergency food programs are serviced by food banks. Again, I'm unhappy to report that the President's budget for 1986 proposes no further funding for the program to help defray the costs of storing and distributing federal surplus foods to soup kitchens and food banks. This proposal to terminate funding for storage and distribution costs may force a number of local organizations to leave the USDA surplus food program, with the result of less food being distributed to needy people using soup kitchens and church food pantries.

I appreciate your field hearing in Boston on the problems we are having with federal food assistance programs. I would conclude that the programs are working well when adequately funded, but that President Reagan's proposed cuts in spending will leave many more people in Massachusetts hungry.

THE WRITTEN TESTIMONY OF MARGARET GROARKE, OF THE CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE (CEOC), TO THE AGRICULTURE SUBCOMMITTEE OF DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION.

Representative Panetta, Representative Emerson, welcome to Boston. The Cambridge Economic Opportunity Committee, which I represent, is one of the federally-funded anti-poverty agencies known as Community Action Programs. As part of my work at the agency, I have been researching the problem of hunger in Cambridge. I would like to share my preliminary findings with you today.

In Massachusetts, the cuts in federal food assistance have had dramatic effect. According to Phil Johnson, State Director of Human Resources, over 100,000 poor people have been eliminated from the food stamp program in this state since 1981. In July 1982, 29% fewer Massachusetts citizens were participating in the food stamp program than in 1978. Local food pantries report a sharp increase in demand, even during the summer, typically a "down time". Pantries recently surveyed report a 200% or even 300% increase over last year. And we have seen some of the results of insufficient food and improper nutrition: a recent Department of Public Health study found that 17,500 children statewide suffer from malnutrition.

Historically, the poor for the most part have been the transient, the alcoholic, the deinstitutionalized mentally ill, the elderly. The changing economy and the recession have created a "new poor" -- people who never needed food assistance before. They are the heads of households who have lost their jobs, or the working people whose wages can't match fast-rising housing costs -- people who, despite responsible budgeting, are chronically short of food. This situation exists even in Massachusetts, great state of the three percent unemployment rate. For every town where there are more jobs than people, there is a neighborhood in Boston or Cambridge or Lawrence where unemployment is uncomfortably high. And employment does not seem to be a complete solution to the problem. Gloria Smith of Margaret Fuller House, a Cambridge community organization, reports that when she moved the butter and cheese distribution from afternoon to early evening, she found that many people stopped on their way home from work to get this supplement to their diet. Although working full-time, they are eligible to receive surplus commodities, because their wages are too low to support their families.

Poverty statistics, not unemployment rates, provide the most reliable estimate of the number of people who probably have difficulty feeding themselves and their families. Hunger is linked to poverty, for the poverty line is that level of income which renders a family incapable of purchasing food for an adequate diet. Not everyone who lives at or below poverty is hungry, but all struggle with the daily realities of deciding which bill to pay this month, whether to pay the rent, whether to heat or eat.

When the 1980 Census was taken, 1,951 families in Cambridge lived below the poverty line -- 12,593 persons, or 15.1% of the population. This is only slightly better than the city of Boston, where 19,680 families -- 106,770 persons, comprising 20.2 percent of the population -- lived below the poverty line in 1979. The Hunger Hotline, a Massachusetts resource center on hunger issues, reports that 120 pantries operate within the city of Boston -- one for every 889.75 people living below the poverty line. Twenty-five soup kitchens are also in operation in the city. Three pantries now operate in Cambridge -- one for every 4197 Cantabridgians living below the poverty line.

CAMBRIDGE PANTRIES AND HOW MANY FAMILIES THEY SERVE.

Pantry	1983	1984	Comments
First Baptist	---	10-12	new, depends on donations
University Lutheran	---	7-8	donations in shelter
Bishop Hildebrande	6	56	833%
Church of God of Prophecy	7	27	286% increase
Salvation Army	25	116	364% increase
CHAMA	20	23	16% inc, but has closed because donations ceased.
Centro Presente	10	10	
East End House	15	5	

When the Hunger Hotline last surveyed Cambridge, 8 pantries were in existence, and five of the 8 served less than 15 families a month, because they depended on infrequent donations of food to supply the pantry. The Cambridge Haitian American Association, for example, distributed the food generously provided to them by an anonymous church group, until the donations ceased. Another small pantry ceased operation when the volunteer manager moved away.

The Salvation Army is the only pantry in Cambridge that claims to serve more than 100 families a month. However, their pantry will only help a family once a year. This rule assumes that lack of food is an emergency requiring immediate but infrequent attention. That is not the situation, unfortunately, for most of the hungry in Cambridge. The struggle to pay the bills and feed the kids is the same, month after month. It is an emergency, but one that reoccurs with depressing regularity.

Meal Programs, too, have seen an increase in demand.

Meal Program	# of meals	Guests per week		
	lunch/dinner	Win82	Win83	Fall84
Salvation Army	2/1	80	140-180	400
CASPAR	7/7	315	400	1050
Harvard Sq.	/1	70	80	90
First Baptist	1/	---	---	4

One year ago, CEOC became the administrating agency for the surplus commodity distribution in Cambridge. In one year, that program has assisted 6000 families -- double the number assisted the year before.

All this is presented as evidence that there is a real problem in Cambridge -- despite our "great", high-tech economy, many people are hungry. We know that the causes are many: Cambridge's expensive rental market destroys the budget of a low-income family; too many of the new jobs created in Massachusetts are no-skill, low-wage jobs, food prices are increasing, and the larger, less-expensive chain supermarkets have been leaving low-income inner cities at an alarming rate. But fairly high on the list of causes we must place the cuts that have been made in food stamps and other programs that aid poor families. No miracle has taken place to make these families better able to support themselves now than they were in 1980; it is not surprising that so many fell into poverty when their safety net was removed. We ask that you keep in mind as you consider reauthorization of the Food Stamp and Surplus Commodities distribution programs this year that despite the general prosperity of our economy, more and more people are going hungry. The Food Stamp program was created during a period of prosperity in the United States; its authors believed that such prosperity should be shared with the less fortunate, in hopes of eliminating poverty. I hope to see that spirit live on.

Margaret Groenke

Testimony by the Honorable John Joseph Moakley

Mr. Chairman, Members of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, I want to thank you for holding these field hearings on the critical issue of hunger in America and for giving me the opportunity to testify on this national tragedy.

In spite of the much talked about economic recovery that the Administration is constantly touting, there is still terrible poverty and hunger across this nation. This condition, which most of us have been aware of for some time, was recently documented in a 10 month study just released on Tuesday of this week. This report, conducted by a privately funded task force known as the Physician Task Force on Hunger in America, found that a minimum of 20 million Americans go without food at least two days a month. The 22 physicians and public health experts, including former U.S. Surgeon General Dr. Julius B. Richmond, who comprised this task force also stated that the cuts in Federal nutrition and food programs are causing this situation to worsen considerably. For the past 10 months this group toured the regions of the country where they interviewed and visited the homes of hundreds of low-income families and individuals as well as scrutinized numerous national, state, and local studies on hunger. This information was carefully compiled and examined by these experts who determined beyond a doubt that hunger has indeed reached epidemic proportions nationwide. This responsible and well-documented report is a far cry from the Presidential Task Force on Hunger which acknowledged the existence of hunger in the United States but denied that it is a widespread problem in our society worthy of immediate attention.

It is a tragedy that this country has denied proper nutrition and food to all its citizens. To arbritrarily cut funding and restrict eligibility for programs and services such as Food Stamps, School lunch and breakfast, the WIC program and feeding programs for the elderly is not only extremely cruel, it does not make economic sense. Lack of proper diet greatly increases susceptibility to illness, which in addition to causing additional unnecessary suffering to those inflicted by malnutrition, results in even greater costs to our economy. An example of budget cutting that results in even greater costs both economically and socially is inadequate funding for Women's, Infant's and Children's Supplemental Feeding Program. This program has been documented to show that for every $1 of Federal money spent on WIC that $3 in direct medical costs are saved by the birth of healthier babies who otherwise might have been born with low-birthweights, birth defects, and other serious medical conditions. The infant mortality rate in the United States in 1983 was 10.9 per 1000 live births which is higher than that of other industrial nations and does not appear to be declining at this time.

In the late 1960's and 1970's our nation began a war on poverty and a commitment to eliminating malnutrition in our country. I believe that we were making great strides in this most worthy goal until the 1980's when the Reagan Administration's budget axe cut deeply into the very programs and services that were so successful in these efforts to combat the epidemic of hunger.

I believe we must act now to eliminate hunger in America. The relatively small cost of the recommendations of the Physician Task Force would net us far more savings, in terms of money and human suffering, than we would ever need to expend to eliminate this tragedy. In the most affluent nation in the world, it is unpardonable that this situation should be allowed to continue or that we accept poverty as an "unfortunate" side-effect of our economic system. If we, a nation which was built on compassion and justice, cannot afford to eliminate suffering and pain at our own doorstep, then how can we, I ask, ever expect a starving world to follow our example.

Geraldine S. Bilik
Executive Director

VALLEY CAP

Edward J. Geaughan
Assistant Director

VALLEY OPPORTUNITY COUNCIL, INC.
THE COMMUNITY ACTION AGENCY SERVING CHICOPEE AND HOLYOKE
36 Center Street Chicopee, Mass. 01013 Telephone (413) 592-6121

February 28, 1985

WRITTEN TESTIMONY FOR AGRICULTURAL SUBCOMMITTEE HEARINGS

Hunger in Western Massachusetts, in the face of so much plenty and low unemployment, is real. The gap between those who have fallen through the so called "safety net" and the rest of the population has grown wider and deeper over the last four years. The Valley Opportunity Council, a Community Action Agency serving the Cities of Chicopee and Holyoke, works on the front line in services and advocacy for those who are not sharing in the prosperity of our state. VOC, serving over 8000 families in our service area, has seen the direct results of federal policies result in increased hunger.

While the extent of hunger and malnutrition cannot be accurately measured, there are several facts we do know which suggest the seriousness of the situation. Severe cutbacks in the Food Stamps Program in the last four years has forced families to drastic measures to meet their needs for food.

Up to 1984, when the phone company was divided into AT&T and NYNEX, several of our clients would call the telephone company to discuss their accounts. During the conversation, the operator would suggest the client purchase telephone gift certificates from $50 to $100, assuring the client not to worry about the payments because they would be spread over a 3 or 4 month period. The client then ordered the gift certificates and sold them for less then $100 in cash to pay for food or rent or clothing for their children. In a lot of these cases, an unforseen hardship arose before the bill was paid, leaving the family without a telephone, a necessity in today's society.

This is only one method VOC has learned that clients used to survive.

VOC also operates a Food Pantry for a non-profit community group in Chicopee. A new phenomenon has developed. The demand for emergency food assistance has increased in the last few years with a new group. Now A.F.D.C. families run out of food before the month ends and they need emergency food from the Chicopee Emergency Food Bank to feed their families so that they will not go hungry. Obviously, A.F.D.C. food stamp allowances are not adequate. Overall demand for emergency food has increased by 50% over the last four years. The Food Bank does not have the capacity to meet the extent of the need it sees.

The Federal Government should be increasing the allotment for families eligible for food stamps. Eligibility requirements should be changed to include elderly without counting the current $1500 resource limit. If they have over $1500, they are excluded. We have had several people with $1700 in resources who were ineligible. This $1700 was being saved for burial. The actual income is low but eligibility is denied.

Proposed workfare for food stamp recipients without using E.T., which means offering opportunities to rise above the poverty level, while workfare means that people with poor health and nutrition are being asked to work off their food stamp allotment. This seems to be a form of slavery, and in many cases, racism as well.

Outreach activities should continue to be funded. The program was of short duration in 1984. During the short time that VOC had a grant to conduct food stamp outreach in Chicopee and Holyoke, the agency enrolled hundreds of new eligible food stamp recipients. For example, during a one-week period in the summer of 1984, VOC enrolled 165 new clients who were not aware of their eligibility. Thus, VOC feels the outreach is a worthwhile activity and should be reinstated.

VOC also operates the commodity distribution program in our area. The Temporary Emergency Food Assistance Program has operated successfully for approximately 18 months. Using a corps of 120 volunteers, two staff people and 2 Commonwealth Service Corps Volunteers, approximately 30 tons of food are currently distributed each month. The distribution of 30 tons each month represents approximately 8,000 households in the Cities of Chicopee and Holyoke - 25% of the total population in the 1980 Census for these two cities! The demand for this service has grown from serving 15% at the inception of the program to the ever-growing numbers that we have been currently serving. We can only assume that these figures will continue to grow.

What is the reason for tremendous program growth? VOC believes that there is a direct correlation between the severe cutbacks in food stamp eligibility for each family to this growth in need for commodities. A freeze on food stamps which will really further reduce the numbers of people receiving food stamps will further increase the demand for commodities. Further, to propose a 7.7% reduction in W.I.C., as the Reagan Administration does propose, will only exacerbate the demand for the food products which will not meet the total need for nutrition for pregnant women or their babies. Commodities should be a supplement for the poor, not a substitute for food for the poor.

While we have a successful record of distributing food in an orderly manner (one week per month in 2 cities) to the eligible population, there have been problems in receiving the commodities in a timely fashion, thereby increasing the costs of distribution because a truck has to be rented with a hired driver.

VOC receives the standard 5% to administer this program. The agency can hardly stand additional expense, since approximately $3,000 does not cover staff and related expenses. Add additional costs because of the problems in receiving distribution of commodities, and it is costing

VOC funds to conduct this program. We barely break even on a normal month for this program.

The additional problems created by irregular distribution from the State have been serious harassment of staff and volunteers by irate individuals who do not understand why there may be a shortage of a particular commodity. They do not want to hear that it did not get delivered. There has been physical abuse of volunteers in this situation. In addition, as the program has grown, the types of commodities have changed from a simple 5 pound block of cheese to 5 pounds of flour in 50 pound boxes. Volunteers have to lift boxes of this weight! All of the volunteers are women; most are elderly women. VOC feels that the liability of dealing with angry, abusive recipients who have assaulted volunteers and the volunteers who are at an added risk from lifting heavy packages, is becoming too burdensome. The State should provide some insurance for these situations. The 5% VOC receives is certainly not enough to cover this expense caused by bureaucratic problems at other governmental levels. Without volunteers, we could not conduct this program.

Thus, in these two specific areas, the problems of hunger and surplus food distribution, VOC feels strongly that corrective measures need to be taken in legislation, administration and fiscal policies.

GENERAL FARM BILL OF 1985

(Domestic Hunger, Food Stamp Program, and Temporary Emergency Food Assistance Program)

FRIDAY, MARCH 22, 1985

House of Representatives,
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition,
Committee on Agriculture,
Oklahoma City, OK.

The subcommittee met, pursuant to call, at 9:15 a.m., in the Sequoyah Auditorium, State Capitol Complex, Oklahoma City, OK, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Staff present: Robert J. Fersh.

OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Panetta. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, a subcommittee of the House Committee on Agriculture, is now in hearing on the subject of the operation of nutrition programs here in the State of Oklahoma and recommendations as to how we improve both those nutrition programs as well as deal with domestic hunger issues.

Good morning and welcome to what is the second hearing in 1985 of the subcommittee. I am Representative Leon Panetta from the State of California and chairman of the subcommittee, and I bring the apologies of my ranking minority member, Representative Bill Emerson, who because of other commitments and office problems wasn't able to be here.

For those who may not be familiar with the work of the subcommittee, this is the 7th field hearing and 13th hearing overall that we have held on the issues of domestic hunger and Federal nutrition programs over the past 25 months. We have gone to city after city—Cleveland, Birmingham, Los Angeles, Chicago, Miami, Boston, and a number of others—as well as rural areas, and have heard pretty much the same message wherever we have gone: That there is a very serious problem of hunger in America.

The demand for emergency food assistance has grown significantly, if not dramatically, across the country. A substantial unmet need remains, and physicians and other health professionals, just within the last few weeks, have told us that they are seeing growing adverse health effects, especially among young children, as a result of the hunger problem.

The growth in the hunger problem is not altogether surprising, given what the Census Bureau tells us about what is happening to the Nation's poverty rate. The latest indication is that in 1983 over 35 million Americans were poor, below the poverty line, an increase of about 6 million over 1980, and it is the highest poverty level since 1964. So the numbers of poor have continued to increase no matter how poverty is measured and despite improvements in the overall economy. Increasingly, it seems as if two Americas are emerging. Sadly, the one America that is flourishing has great difficulty in seeing or acknowledging that there is a growing other side of America that is not flourishing and that is suffering from problems like hunger.

As a partial response to these conditions, Representative Emerson and I have worked on legislation to try to deal with the hunger problem. Two years ago we were able to adopt a Surplus Commodity Distribution Program to try to distribute some of the surpluses to families and individuals in need. We were able to get bipartisan support from Congress to adopt that program and the President to sign it into law.

Last year we stood together on H.R. 5151, which was the Hunger Relief Act of 1984. That legislation again was bipartisan legislation on the House side and was adopted by the House by an overwhelming vote of 364 to 39. That bill would have improved benefits, it would have increased work incentives and program accountability, and provided additional funds for nutrition education. Unfortunately, the Senate did not take any action on that legislation, and the bill died. We hope to try to resurrect that legislation again and try to move it within this session of the Congress.

As we begin the 99th Congress, our subcommittee is confronted with some stiff challenges. In the next 2 months, we must reauthorize both the Surplus Commodity Distribution Program as well as the Food Stamp Program itself. We have come to Oklahoma, as we have gone to a number of States and a number of cities, to listen at the local level to State and local program administrators, to elected representatives, to private and public agency managers, to researchers, to program recipients, to tell us how we can incorporate their experiences and expertise into trying to improve Federal policy in this area.

Now, some of the issues that we hope the witnesses will address: Have you noticed an increase in hunger problems in recent months? If so, to what degree and what do you believe is the cause of that?

In addition to that, we would like you to address the issue of participation in the Food Stamp Program. While we have had a nationwide decrease in food stamp participation, I understand that in the State of Oklahoma that is not the case, and I would be interested in what accounts for that.

Several States have reported that increased emphasis on fiscal sanctions for high error rates has led States to under issue or deny benefits, and I would be interested in that because obviously there is an emphasis on greater accountability, and yet we don't want to impact on the beneficiaries in an adverse way.

What changes need to be made in food stamp benefit levels? What are your recommendations on improving H.R. 5151?

Should the Temporary Emergency Food Assistance Program be reauthorized? It is at least our view at this point that there is a great dependence on that program. We provide administrative funding, essential administrative funding, to carry on that program, so we are asking for views on that.

So I invite all the witnesses to address those issues and whatever else is appropriate for our consideration, and I look forward to that testimony. I would really like to thank everybody that is testifying today, and in particular I want to thank Bob Fulton and his staff for their assistance in coordinating this hearing. I hope it will be a profitable day for all of us.

There is just no question that in a country like the United States of America that to have hunger as a problem in our society is a national shame and that we ought to do everything possible to try to deal with that problem.

[The prepared statement of Mr. Panetta follows:]

STATEMENT OF CHAIRMAN LEON E. PANETTA
SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS,
AND NUTRITION - COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
OKLAHOMA CITY, OKLAHOMA - MARCH 22, 1985

GOOD MORNING AND WELCOME TO THE SECOND HEARING IN 1985 OF THE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION OF THE HOUSE COMMITTEE ON AGRICULTURE. I AM REPRESENTATIVE LEON PANETTA AND I CHAIR THE SUBCOMMITTEE. WITH ME TODAY IS REPRESENTATIVE BILL EMERSON, THE RANKING MINORITY MEMBER OF THE SUBCOMMITTEE.

FOR THOSE WHO MAY NOT BE FAMILIAR WITH THE WORK OF OUR SUBCOMMITTEE, THIS IS THE SEVENTH FIELD HEARING AND THIRTEENTH HEARING OVERALL THAT WE HAVE HELD ON THE ISSUES OF DOMESTIC HUNGER AND FEDERAL NUTRITION PROGRAMS OVER THE PAST 25 MONTHS. IN CITY AFTER CITY -- CLEVELAND, BIRMINGHAM, LOS ANGELES, CHICAGO, MIAMI, BOSTON -- WE HAVE HEARD THE SAME THING: THERE IS A VERY SERIOUS PROBLEM OF HUNGER IN AMERICA. THE DEMAND FOR EMERGENCY FOOD ASSISTANCE HAS GROWN SIGNIFICANTLY, IF NOT DRAMATICALLY, ACROSS THE COUNTRY. A SUBSTANTIAL UNMET NEED REMAINS AND PHYSICIANS AND OTHER HEALTH PROFESSIONALS TELL US THEY ARE SEEING ADVERSE HEALTH EFFECTS, ESPECIALLY AMONG YOUNG CHILDREN, AS A RESULT OF THE HUNGER PROBLEM.

THE GROWTH IN THE HUNGER PROBLEM IS NOT ALTOGETHER SURPRISING GIVEN WHAT THE CENSUS BUREAU TELLS US ABOUT OUR

NATION'S POVERTY RATE. THE LATEST AVAILABLE DATA INDICATES THAT IN 1983, OVER 35 MILLION AMERICANS WERE POOR, AN INCREASE OF 6 MILLION OVER 1980 AND THE HIGHEST POVERTY LEVEL SINCE 1964. THE NUMBERS OF OUR POOR HAVE CONTINUED TO INCREASE RECENTLY NO MATTER HOW POVERTY IS MEASURED AND DESPITE IMPROVEMENTS IN THE OVERALL ECONOMY. INCREASINGLY IT SEEMS AS IF TWO AMERICAS ARE EMERGING. SADLY, THE ONE AMERICA THAT IS FLOURISHING HAS GREAT DIFFICULTY SEEING OR ACKNOWLEDGING THAT THERE IS A GROWING OTHER AMERICA.

AS A PARTIAL RESPONSE TO THESE CONDITIONS, REPRESENTATIVE EMERSON AND I HAVE WORKED ON LEGISLATION TO REMEDY THE HUNGER PROBLEM. TWO YEARS AGO, OUR BILL ON SURPLUS COMMODITY DISTRIBUTION BECAME A BASIS FOR THE CURRENT TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP). LAST YEAR WE STOOD TOGETHER ON H.R. 5151, THE HUNGER RELIEF ACT OF 1984, THAT PASSED THE HOUSE BY A VOTE OF 364-39. THAT BILL WOULD HAVE MADE FOOD STAMP BENEFITS MORE ADEQUATE, INCREASED WORK INCENTIVES AND PROGRAM ACCOUNTABILITY, AND PROVIDED MORE FUNDS FOR NUTRITION EDUCATION. UNFORTUNATELY, THE SENATE TOOK NO ACTION ON H.R. 5151 AND THE BILL DIED.

AS WE BEGIN THE 99TH CONGRESS, OUR SUBCOMMITTEE IS CONFRONTED WITH STIFF CHALLENGES. IN THE NEXT TWO MONTHS, WE MUST REAUTHORIZE BOTH THE SURPLUS COMMODITY DISTRIBUTION PROGRAM, WHICH EXPIRES THIS YEAR, AND THE FOOD STAMP PROGRAM. WE HAVE COME TO OKLAHOMA TO LISTEN TO STATE AND LOCAL PROGRAM ADMINISTRATORS, PUBLIC AND PRIVATE AGENCY MANAGERS, RESEARCHERS, AND PROGRAM RECIPIENTS TELL US HOW WE MIGHT INCORPORATE THEIR EXPERIENCES AND EXPERTISE INTO IMPROVED FEDERAL POLICY.

THERE ARE MANY ISSUES WE WOULD LIKE WITNESSES TO ADDRESS. FOR INSTANCE:

-- HAVE YOU OBSERVED AN INCREASE IN HUNGER PROBLEMS IN RECENT MONTHS? IF SO, TO WHAT DEGREE AND WHAT HAS BEEN THE CAUSE?

-- DESPITE THE RECENT INCREASES IN POVERTY, FOOD STAMP PARTICIPATION HAS RECENTLY FALLEN SIGNIFICANTLY NATIONWIDE, FAR MORE THAN IS ATTRIBUTABLE TO RECENT FEDERAL ELIGIBILITY CUTBACKS. WHAT ACCOUNTS FOR THIS? ARE THERE BARRIERS TO PARTICIPATION NOW THAT DID NOT EXIST SEVERAL YEARS AGO?

-- SEVERAL STATES HAVE REPORTED THAT INCREASED EMPHASIS ON FISCAL SANCTIONS FOR HIGH ERROR RATES HAS LED STATES TO UNDERISSUE OR DENY BENEFITS IF ANY DOUBT AS TO ELIGIBILITY EXISTS. DO YOU BELIEVE THIS IS TRUE? IS IT POSSIBLE THAT THE NUMBER OF IMPROPER DENIALS HAS RISEN AS A RESULT?

-- SHOULD CHANGES BE MADE IN FOOD STAMP BENEFIT LEVELS? WHAT ARE YOUR VIEWS ON RECOMMENDATIONS THAT WERE INCLUDED IN H.R. 515[illegible] [illegible] ES IN THE THRIFTY FOOD PLAN, THE EXCESS SHELTER [illegible] AND EARNED INCOME DEDUCTIONS, AND ASSETS LIMITATIONS?

-- SHOULD THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) BE REAUTHORIZED? HOW IMPORTANT HAS THE $50 MILLION IN STATE AND LOCAL ADMINISTRATIVE FUNDING BEEN

TO THE SUCCESSFUL OPERATION OF THE PROGRAM? SHOULD CHANGES IN THE ELIGIBILITY AND VERIFICATION GUIDELINES BE MADE?

I INVITE ALL WITNESSES TO ADDRESS THESE QUESTIONS AND ANY OTHER ISSUES THEY FEEL ARE APPROPRIATE FOR OUR CONSIDERATION. I LOOK FORWARD TO HEARING TODAY'S TESTIMONY FROM A WIDE VARIETY OF EXPERTS. I KNOW THEY WILL CONTRIBUTE GREATLY TO OUR CONSIDERATION OF THE IMPORTANT ISSUES IN FOOD ASSISTANCE.

I WOULD LIKE TO THANK ALL OF THOSE ATTENDING THE HEARING FOR THEIR INTEREST, ALL WITNESSES FOR THEIR PREPARATION, AND IN PARTICULAR HUMAN SERVICES DIRECTOR BOB FULTON AND HIS STAFF, FOR THEIR ASSISTANCE IN COORDINATING THE HEARING. I HOPE THIS WILL BE A PROFITABLE DAY FOR ALL OF US.

Mr. PANETTA. The first witness this morning is the Governor of the State of Oklahoma. I am honored by the presence of the Governor and for his taking the time to present his testimony here. He is someone that we respect, and the way he has operated the State, he has always been willing to provide his expertise and his experience on issues such as this, and for that reason, I am particularly happy to welcome you here, Governor. You may proceed with your statement.

STATEMENT OF GEORGE NIGH, GOVERNOR, STATE OF OKLAHOMA

Governor NIGH. Thank you very much, Congressman Panetta.

We want to welcome you to Oklahoma. We are very appreciative that your subcommittee has come our way. We can understand that your fellow member was unable to be here and that you perhaps will be pressed because of your duties as a Congressman, you can't always control your schedule, and you must do those things you have to do for your district, as well as your country, and particularly your subcommittee, so we appreciate the fact that your schedule did allow you to come to Oklahoma. We think that is very beneficial to us. We hope it is beneficial to you.

We particularly want to thank you for, in your hearing, allowing witnesses to testify and to give you information, because we think it is particularly significant that as congressional subcommittees come to Oklahoma or we go there that it not just be where a presentation is made but that, in fact, a dialog can be had. And we welcome the opportunity to testify but would encourage you to have a dialog with our people beyond even the testimony. Your list of witnesses guarantees that you are going to receive both significant information and a lot of good advice today. Your decision to come to Oklahoma for one of your hearings was a good one.

The food assistance programs under the jurisdiction of your subcommittee have made a substantial impact in preventing hunger and malnutrition and their tragic secondary effects—in Oklahoma, as well as the rest of the country. It is vitally important that these programs be reauthorized, so I would like to underscore Oklahoma's position that we encourage you and we encourage the Senate to join the House in the reauthorization this year so that the support they provide to low-income people will continue.

Over 400,000 people in Oklahoma live on incomes below the official poverty level. Most of these people—as well as others just above the poverty level—cannot afford an adequate diet without help.

Malnutrition aggravates disease. People who have diets which are barely adequate may suffer disproportionately as a result of infections.

Adequate nutrition is especially important for children. It is a proven fact that children who do not get enough to eat are apt to be apathetic and socially withdrawn. Frequent illness results in excessive absenteeism and poor nutrition causes children to fall behind during critical learning periods. Lack of good nutrition on the part of the expectant mothers can lead to low-weight births, mental retardation, and other disabilities.

In an independent study conducted by the University of Oklahoma school of social work on child abuse and neglect in Oklahoma, it was found that, since 1973, there have been substantial decreases in the number of children who suffer malnutrition and failure to thrive. The study concludes that the decrease in malnutrition findings can be attributed in substantial part to governmental food assistance programs such as food stamps, school nutrition programs, and the Women-Infant Care, or the WIC Program.

The Food Stamp Program has become even more vitally imporant for Oklahoma in the last few years because of the economic difficulties our State has experienced during the past 2½ years. In 1981 and 1982, the monthly average of Oklahomans receiving food stamps was 188,000. The program distributed benefits totaling about $6 million a month. In January 1985, 267,000 Oklahomans received food stamps, valued at slightly over $11 million. This represents an increase over 1981–82 of 42 percent in the number of recipients and 85 percent in the value of the food stamps distributed.

As Congress is now at the point of considering improvements to be made in the Food Stamp Program when the program hopefully is reauthorized later on this year, my recommendations for your consideration are that the program be designed so that:

One, it be as simple as possible so that it can be managed efficiently and effectively;

Two, that definitions, policies, and procedures be made the same as for the cash assistance programs where this can be done;

Three, that benefit levels be maintained; and

Four, that we resist the temptation to impose unrealistic quality control standards on the States.

We, of course, wish you well in your endeavors. If we can be of any assistance, we would like to do so either through the department of human services or my office.

And as I listened to your presentation, and you mentioned about the fact that around the country the program has diminished, yet in Oklahoma has increased. As I said in my official remarks, Congressman, our economic cycle is not necessarily on the same economic cycle as the rest of the country. There are 50 States, as you obviously know, and in Oklahoma at this time when some of the Nation is enjoying economic recovery, it is a time when we are not, and that we have more people, as we said, than 2½ years ago receiving such programs. So to put together a program that affects all 50 States, you obviously have to consider that each of us are in different cycles.

We appreciate very much your subcommittee's work, and we encourage you in anything that we can do, we want to be of help.

Mr. Panetta. Thank you very much, Governor. Again, we deeply appreciate your taking the time to come here, considering your own time commitments, and make this presentation.

Let me ask you, obviously we are seeing statistics indicating economic recovery throughout the country in terms of employment numbers, inflation, and general numbers relating to investment within the economy, and yet one of the problems we are seeing is increased hunger, and I must say, it is not just true in Oklahoma where in fact you have an increasing role in food stamps, it is actually true everywhere we have gone.

We have seen in soup kitchens and food pantries virtually a doubling and tripling of the number of people that are served. We will go to a soup kitchen that in the past was serving, let's say, 40 or 50 transients, is now serving 200, 300, 400 people a day, many of whom are families and children. So there has been just a tremendous increase in the volume of people resorting to that. Here you actually have the increase in food stamp beneficiaries, as well.

I guess my question would be, what is the problem in terms of where you have got a general economic recovery going on, why is this taking place at the same time in your judgment?

Governor NIGH. When the rest of the country was having a tough time economically, Oklahoma was enjoying good times because of our energy economic effort, and when the energy went down and at the same time the agriculture economy of the country has just hit the skids, and then when high interest rates drove out investment capital, Oklahoma was hit with what I call a triple whammy in our economic efforts.

We have a very mobile society. And you will see an increase in the number of people who are here. We have, just from that alone, and you have people who came here looking for jobs, but when they got here, the jobs were gone, and so we have a lot of people who have become residents of the State that were not residents of the State 3 years ago. And those people who came here from other areas who sought to solve their unemployment problems are now part of our economic problem, and, of course, they are here, and we want to try to help them, as well as our Oklahomans who are already here. So we have an unusual phenomenon in that the recovery is not here, that we are having tougher times.

That is particularly true, incidentally, in the energy-producing States, as well as the agricultural States. The State of Oklahoma feels like a Federal program that is a Federal program should be managed for the people, wherever they are, and as we sort out responsibilities, there are some things that are the Federal Government's responsibility, if we are going to have that program, there are some things that are the States' responsibilities, and there are some things that are in partnership. We very strongly realize that we have a mobility, a transient population in this country in the mobility of people to move, and so a Federal program, such as yours, should be designed to accommodate the people where they are at the time.

It is not necessarily a State responsibility, and we realize the tough times you have in Washington, but in our opinion, hunger, malnutrition, and low income are national problems and the States should be the partner in trying to help you with the rules and regulations, but the system is at the national level.

Mr. PANETTA. I appreciate that statement because I think there are many of us who feel this is an area of responsibility that we can't back away from.

One of the arguments we are going to be getting—I appreciate your comments on it—obviously as we deal with the budget issue and we deal with questions like revenue sharing and other problems like that, one of the comments that has been made is that generally the States are in better financial condition at the present time and that as a consequence, it is a time when we can turn over more of these responsibilities to the State level. I would be interested in your reactions to that kind of general comment.

Governor NIGH. You have to paint with a broad brush, Congressman, and if the State of New York or your native State of California is doing extremely well, and the people in Oklahoma, Kansas, and Arkansas are hungry, and you put an economy of three or four States that are doing great and the three or four States that are not doing so great together, and you come up with an average and you say, "Well, the States look like they are doing pretty good." That doesn't solve the problem of the hungry in Oklahoma, Arkansas, and Kansas. If you say it is the States' responsibility, hunger is not a State's responsibility. Education is. Highways is a partnership. There are things that you can sort out.

But hunger and poverty is not necessarily a local issue. And we agree, as far as I am concerned, that there are problems at the Federal level that should be addressed financially. But the way you solve your problems is not to say, "Well, what can we cut out to, say, balance the budget?" but you look at what programs do you think are needed. And then what do you do about those programs?

To me, we should be program oriented, and as we look around to try to solve perhaps the Federal level's economic problems, you just don't solve them in our opinion by cutting off needed programs. You have to first determine whether or not these programs are needed, and then you try to address that problem.

The States in some areas are doing good. Actually, when they use the word, surplus, Congressman, that is a misnomer. A surplus is generally defined by most people, and I don't know how Webster puts it, but a surplus is generally defined as something that you don't need, that you have left over and you really don't need. Many States created surpluses by actually cutting back in programs, things that they needed, and raising taxes that were tough to cover that and ended up with an unappropriated balance.

And so what States have done is they have cut back to try to do what they had to do. They actually reduced in many instances, such as in Oklahoma, services that they wanted to provide and raised taxes and that what was left over was an unappropriated balance, not a surplus to their needs, and certainly I believe in sorting out, that you should sort out States' responsibility and the States should provide it. You should sort out Federal responsibilities, and the Federal Government should provide it.

Hunger can't be sorted out at the State level. Hunger doesn't know when it crosses a county line. Hunger doesn't know when it leaves the city limits. And hunger doesn't know when it goes from Oklahoma to California. It is just hunger, and it is malnutrition, and it is expectant mothers who are in need of help, and that is a Federal problem, not just a State problem.

Mr. PANETTA. Thank you again very much, Governor, for taking the time for testifying, and I can assure you we are going to continue to rely on your gudiance as we go into this difficult challenge.

I have always felt that the reason our Government is strong is because we have been a partnership in trying to deal with issues like this, and your presence here is good evidence that at least with regards to Oklahoma, anyway, that partnership is alive and well.

Governor NIGH. We are very appreciative that you are here, we always call Oklahoma the crossroads, and we are—this is a personal observation, Congressman—I always feel better when my Congressman and my Senators that represent us at our Nation's Capitol from whatever State they are, get out into the hinterland, into the crossroads to see what the country is really like, because we think that it is difficult to sit on Capitol Hill, which you are required to, and make decisions that affect the country without really knowing at the grassroots level what is going on, and we are very honored that you came our way.

Mr. PANETTA. Thank you very much, Governor. I appreciate that.

Mr. Fulton, we welcome you to the hearing, and, first of all, if I could make a personal observation, Bob Fulton was someone who worked in Washington, and we worked closely in terms of budget issues and a number of other issues that we were dealing with on both the House and Senate side, so he is a friend, and I appreciate him taking the time to help organize this hearing.

You have a tough job now, but we are here to find out how you are doing and what the challenges are that you are facing. We again turn to people like yourself for guidance at the Washington level as to how we deal with these programmatic challenges that face us over these next few months, particularly with regards to the reauthorization of general food programs. We are at a time when we have got to deal with the whole agricultural program, and the farm bill is a bill that relates to several key areas. Obviously, one of the principal focuses now is what do we do with regards to farm programs as they impact on farmers. That is an area that is a crisis. What are we going to do to deal with it?

But part of that farm bill relates to nutrition programs, and that is going to be also an area that is in crisis and that has to be responded to. So we have a major challenge facing the Agriculture Committee and the Congress to try to develop a balanced farm bill that meets those needs at a time when there is obviously a severe crunch in Washington in terms of the overall budget. So whatever guidance you can give us, whatever help you can give us, we look forward to hearing your testimony. You may proceed.

STATEMENT OF ROBERT FULTON, DIRECTOR, OKLAHOMA DEPARTMENT OF HUMAN SERVICES

Mr. FULTON. I would just make a personal observation, that during 1981 when the effort to restrain expenditures in domestic programs was in full swing, you were, of course, on the House Budget Committee, and I was staffed to the Senate Budget Committee, and I think some of the things that we did then were appropriate. I have wondered about some of them since I have been in Oklahoma.

We are to some degree, I think, in a posture of readjusting now to—in recognition both of problems that were created by some of those and also recognizing that, as the Governor said, the problem of hunger especially is, it takes many twists and turns, but it winds up being a continuing problem, and we really do have a major concern about helping, particularly children and other vulnerable people, to eat adequately.

And I think the Food Stamp Program in particular, but also the Emergency Commodities Program that your subcommittee has jurisdiction over, are very important and really extremely crucial to the people in all parts of the country, and, as we are going to try to demonstrate, we have some thoughts about those programs, but basically our major message is, let's keep them going, let's improve them where we can, and let's make sure that we administer them in such a way that the people who need the help get that help just as promptly and as effectively as they can, and, of course, we are concerned about keeping error down and making sure that anybody that commits fraud under these programs is dealt with. But the central core of the programs is critically important, and I think we are doing in Oklahoma a good job of administering them.

I want to just make a comment, also, following on the Governor's remarks, about sorting out. I have attached to my statement an article that Ray Scott, who holds the same position in Arkansas that I have here, and I coauthored recently, published in the New England Journal of Human Services. And essentially we express in that article some serious concerns about the evolution of the Federal-State partnership, and especially the one, what we perceive to be an adversarial attitude on the part of the Federal Government toward the States as opposed to a partnership attitude. That is reflected somewhat in the Food Stamp Program in the way the Federal agencies, the Food and Nutrition Service, interacts with the States.

I think a great deal of insensitivity is also manifest in the Federal approach to administering the Food Stamp Program relative to the frequency of change, the apparent unwillingness to allow adequate lead time for the States to implement many of the changes. Sometimes Congress does that to them, but many times they inflict it on themselves and us by administrative action, and so we have basically called in this article for kind of a reinvigoration of the partnership flavor between the States and the Federal Government, to try to recognize that we are all in this together and that we have got to be partners as we move ahead with these, trying to cope with these very difficult human challenges that we are trying to meet.

If I could, then, turn to just a couple of brief remarks about the department of human services. Our department is responsible for administering the food stamp and the emergency commodities programs in our State. We also administer the school commodities program that also reaches some of the other programs such as day care centers, elderly feeding centers, and other services. DHS is the State's largest agency. We have a total annual budget of about $1.1 billion. We get about 43 percent of the money we expend each year from the Federal Government. Now that $1.1 billion does not include the $160 million approximate value of food stamps and food commodities that we distribute. Those don't run through our budget, of course, in terms of the coupon values or the value of the commodities.

I have attached to my statement a summary of our expenditures in recent years and our current estimate for fiscal year 1985 and our budget for fiscal year 1986. We have shown on that table the value of food stamps and commodities distributed in each year.

I have also attached an organization chart for our department. The Commission for Human Services, which shows at the top of that chart, is the governing policy board, a nine-member commission appointed by the Governor, and as director, I report to that commission. Woody Hogue, W.W. Hogue, who is the next witness on this panel, is the head of the payments and services division of the department of human services and is responsible in that capacity for the overall policies and administrative arrangements for the delivery of food stamps and commodities.

As I have already said, the $160 million a year that is being distributed in Oklahoma is going out to hundreds of thousands of people. It is having a substantial impact in preventing hunger and reducing malnutrition.

Now I am going to spend the rest of my time commenting on the Food Stamp Program and some aspects of it that we think could be improved. We have already heard from the Governor that the economic trends of Oklahoma the last few years being somewhat different than those in the national economy, the balance of the country, although in this region I think he mentioned that other States in this region seem to be encountering the same kind of problems.

Just to recite the unemployment statistics, in 1981 we had a low unemployment in Oklahoma of 3.1 percent. That was the lowest in the country at that time. In 1983, 2 years later, it was 10.1 percent in Oklahoma. And we have had a decline, got down to the range of 6-plus percent. Now it is back up to 8.2. So we have been, in the last few months, kind of flirting around the national averages, but now are slightly above.

And our food stamp rolls, as the Governor mentioned, have rose dramatically, and I won't recite those figures again, but essentially close to a doubling of the amount of coupons being distributed in 1985 as compared to about 2 or 3 years ago.

I want to comment now on some of the issues that will be before you in the reauthorization discussions, and let me first comment on the question of rebating sales taxes on food purchased with food stamps. That is a proposal that I believe has emerged in the Senate, from the administration, perhaps. It is not one that we think is a good idea. The department of human services gets nearly all of its State funding from a 2-percent sales tax that has been designated for our department since the 1930's. If you were to require by legislation that the States rebate sales taxes collected on food purchased with food stamps, we would be sending to Washington money that otherwise would come to our department to help low-income people, and we essentially, given the State's overall financial situation, I think, would almost inevitably be in the position of having to pay that right out of the department of human services budget. And that would mean that we would be less able to use State resources to match Federal moneys to carry on programs for low-income people.

So I think the low-income people of Oklahoma would be hurt far more by the taking of the money away from the State than they would be helped by having pressure put on the State legislators to somehow take the tax off of food. There has been a discussion for a long time in Oklahoma about whether or not food should be exempted from the sales tax. I think eventually if the State's financial condition permits, when it permits, that that might become a real possibility. But I am not sure there would be a good reaction to the Federal Government playing this kind of role relative to the States through the Food Stamp Program. So we are not in favor at all of that suggestion.

I know that the question of work requirements and work incentives in the Food Stamp Program is a very important issue in the reauthorization debate. We are very proud in Oklahoma of what we have been able to do and are doing and are improving as rapidly as we can with the AFDC population in regard to work provisions. We have a number of innovations in Oklahoma around the work issue. We are doing an increasingly effective job.

Within the past year we have raised our goal by 25 percent on the placements of AFDC recipients into jobs. We use a mix of tools all the way from community work experience, which some people call workfare, to counseling, and job search assistance. We depend a lot on the self-help efforts and the recipients. We try to help them through things like job-finding clubs. But we are placing close to 30 percent a year of our average caseload, that is, of the adults in our caseload, in jobs. And we are in, I think, the top four States in the country in that regard, and we are intending to move to an even higher plane.

Now, we have not up to now played a big role on food stamp recipients and their job search responsibilities. Mr. Hogue will mention this further in his testimony, but we are just now launching a 10-county effort to help food stamp recipients do job search and to get them as quickly as possible into jobs. That has been a rather long and unhappy saga in getting to this point with the U.S. Department of Agriculture.

I would hope that as you look at the Food Stamp Program that you would somehow in the administrative funding of the program recognize that if we are to do a good job in working with individual adults in the food stamp population that the States are going to have to have some help. It is not going to accomplish anything just to fill out an employment referral form and stick it in the file, which has been the pattern by direction of the USDA, up to now. That is, if we didn't have the employment referral form completed, it would be a quality control error when the sampling was done, but we were under instructions simply to file it, not to send it to the employment service, and we didn't have the staff resources to do much more with it ourselves.

We are of the view that the main technique to be applied in the work area with the food stamp recipients should be the assistance in job search. The notion of work fare in food stamps has a lot of support. Frankly, we would see little, if any, use of that in Oklahoma. We do use work fare in AFDC. It is a useful tool with some of the recipients.

The food stamp population is much more apt to turn over quickly, ins and outs. The question of how many hours you can require somebody receiving a food stamp benefit to work is, of course, a sensitive one, and while we might at some point want to use that as part of our program, we do not see that as a part of our initial effort. And we would be against certainly any attempt to mandate work fare for all food stamp recipients. That would certainly be a difficult program to administer. It would create, I think, some serious administrative problems, as well as a certain amount of controversy with other unemployed or underemployed people who are in need of jobs, and I just don't think that is a panacea in the area of employment.

I want to make an appeal for authority to cash out, at least at State options, food stamps for the elderly, blind, and disabled. We have in Oklahoma an average for the elderly, blind, and disabled of $13 in food stamp benefits per month. Many of our recipients, in fact over two-thirds of them, get only $10 a month. We would have better participation, obviously, because it would be automatic, if we simply combine that portion of the Food Stamp Program with the cash assistance that either the Federal Social Security administers through the SSI Program or through the States supplement to the SSI Program, and we would be willing to live with it either way.

A lot of elderly people particularly do not apply for food stamps because of the low amount that they would get, and that frankly I am sure because of the hassle they have to go through administratively and also the stigma that is attached to using stamps. Some of them have too much pride. Many of them have too much pride to take the stamps.

So we had wanted to get into the demo programs that at one time were being encouraged by the USDA, and I understand that there was opposition to those in the House and that as a result of concerns on the part of some Members of the House that even though there was legal authority to cash out demonstrations, those were not actually implemented, and we would like very much to be able to do that in Oklahoma.

Another matter that you had in your bill of last year that we think is a very important step is the matter of categorical eligibility for the recipients of cash assistance. As again Mr. Hogue will discuss further, we have a pilot program, that is known as a simplified application project, in which we use the AFDC and SSI intake and basic computations of eligibility to trigger onto a food stamp benefit calculation. That has been in our judgment a very successful demonstration.

Unfortunately, we have had notice from USDA that the program is going to be shut down in June of this year, even before we have seen, and I think before USDA has seen the results of an evaluation being conducted by Mathematica Policy Research Inc., of New Jersey.

We believe that this program is saving—we know that it is saving substantial administrative effort. We calculate the administrative savings as nearly twice the amount of the coupon value increases that resulted from the design of the program.

We have cut by about three-quarters the amount of staff time involved with processing the applications and getting people made eligible for the benefit, and so we are doing everything we can to encourage the USDA and solicit congressional support for at least letting this demonstration continue until the Congress finishes the debate on this year's reauthorization of food stamps and determines whether or not it is going to grant categorical eligibility and allow a very simplified way of calculating food stamp benefits for those people who are receiving other public assistance. We think it would be extremely shortsighted to shut down a demonstration of this type at a time when it might be a learning opportunity for the whole country relative to the integration of these programs.

With regard to the block grant question and possibility that the States be given a nutritional block grant in lieu of the present food stamp and other nutrition programs, I don't think that that is a winner. As a relatively new State administrator, I see a lot more to be gained from smoothing the interactions between AFDC and food stamps than worrying about trying to integrate food stamps and WIC and food stamps and some of the other nutritional efforts. The WIC Program in Oklahoma is administered by the health department. I think there is a logic to that, that the department administers most of the maternal and child health programs, and we do work with the health department.

But to force into the State or to go through the effort it would take to put together administrative mechanisms to integrate food stamps and the other programs that are administered elsewhere I am not sure it is worth the effort. I think it is far more important to get food stamps and AFDC rules and procedures working together, because in general those programs are serving the same population, food stamps service a broader population, and I would not see the nutritional block grant as a tool that we would find useful in Oklahoma.

I do want to make a comment about the cash-out question as it might apply to families with children. I do not favor cashing out food stamps for families with children, even though I do favor that for the people receiving the elderly benefits through the SSI Program and the disabled benefits through that program. I think the Food Stamp Program moderates in a very important way some of the wide disparities among States on the cash benefits. It also helps poor families survive in the face of rising living costs even when their available cash income is declining in real terms, that is, after adjustment for inflation.

Our current AFDC benefit provides about 60 percent of the circulation of need that our commission recently approved. The food stamp addition to that brings it up to 75 percent of total need or a little better. We would find, I think, the attempt to cash out food stamps and leave the States with the responsibility for determining how much cash assistance to provide to families to work to the disadvantage of the low-income families with children over time. It might not happen immediately, but I think the likelihood would be that at least in a major part of the country, and perhaps in Oklahoma, the low-income families with children would make out worse with a cashed-out amount than they do with the combination.

I am taking more time than I should, Mr. Chairman. I want to mention two aspects of H.R. 5151, which are not mentioned in my prepared remarks but are important to Oklahoma.

Last year in your bill you proposed that the thrifty food plan benefit calculation be raised by 1 percent above the so-called 100-percent level. I believe before last year's legislative action, it was at 99 percent. It was raised to 100 percent. I think that will be one small step to making the good stamp benefit a little bit more adequate in light of what has happened to inflation, what has happened to other sources of support for low income people.

I would also like to speak in favor of raising the standard deduction from income from 18 to 20 percent, that is, the amount of exempt income that is taken, disregarded before calculating the benefit. I think that would be a very important step, and I hope you will be able to accomplish that in this year's reauthorization bill.

I ask finally that as you work on this year's reauthorization, be mindful of the lead-time considerations. Mr. Hogue will talk a little more about the problems of short lead-times in a highly automated State. You would think it would be easier, and sometimes it is, I am sure, to change things when you have got everything computerized, but it still creates great problems for us.

Also, just a matter of even more concern, if you were to have a deadlock on the reauthorization bill this year and wind up this fall with uncertainties and turnaround, short-term continuing resolutions to keep the program going, I think both the USDA and the States would be put in a very difficult position. We would be getting notices no doubt from the Secretary to start shutting down next week because there is no assurance that Congress is going to have the money out. So I hope you will be able to complete your work in time this year, that any deadlocks will be temporary and that by the time October 1 gets here, the new authorization bill will be in place and will be operating on an orderly, businesslike basis.

Mr. Chairman, I thank you very much for the opportunity to be here and to provide these comments, and certainly I will be happy to participate in the further dialog today and would like to suggest, if it would be OK, that you hear our other two witnesses, and then we would go ahead and all be open to questions.

[The prepared statement of Mr. Fulton appears at the conclusion of the hearing.]

Mr. PANETTA. That is fine. Mr. Hogue.

STATEMENT OF WOODY W. HOGUE, ASSISTANT DIRECTOR, PAYMENTS AND SERVICES, OKLAHOMA DEPARTMENT OF HUMAN SERVICES

Mr. HOGUE. What I would like to do is further elaborate on some of the things that Mr. Fulton has already mentioned and then bring up a few additional items also.

Mr. Fulton mentioned categorical eligibility, and we think that this is one of the most important things that should be considered in the reauthorization this year.

H.R. 5151, passed by the House last year, contained a provision for categorical eligibility, but we are afraid that it did not go quite far enough in that it did not also have a provision that would require the use of the income and resource standards for the program that was associated with the food stamps. In our simplified demonstration program, for example, AFDC recipients that receive food stamps, we use the income and resource standards of the AFDC program in calculating the coupon allotment. The only thing additional that is done is getting the shelter and utility deduction from that. That simplifies the program tremendously, and we think that that should be included in the reauthorization bill.

In relation to job search, we would like to recommend full funding of the job search program. Currently the funding that Oklahoma receives covers only 10 out of our 77 counties. In these 10 counties, we are maintaining job search activities for 45 percent of our caseload. What that means is that in the other 67 counties, there are no job search activities going on whatever. The registration is taking place for those recipients that are required to register, the registration form is being placed in a folder, and that is where it sticks. So if we are going to have a job search program and food stamps, it should be fully funded.

In relation to error rate sanctions, we are opposed to lowering the quality control tolerance level, and we are also opposed to assessing penalties based on the value of the coupons issued.

The 5-percent error tolerance goal proposed in H.R. 5151 is a goal that we hope and expect to attain in Oklahoma. Nevertheless, we really feel that it is counterproductive to tie dollar sanctions to that goal.

We agree that States should make every effort to lower dollar error rates, but we are skeptical about the effectiveness and appropriateness of fiscal sanctions in order to attain these error rates.

Oklahoma currently is running about 7.2 percent, we think that we can reach the 5 percent, but should Oklahoma face a sanction, what would happen eventually, there would be a reduction in the amount of staff that we would have to handle the Food Stamp Program, which would mean higher caseloads and ultimately higher error rates.

On monthly reporting and retrospective budgeting, we urge that you examine closely the cost of administering this program. In Oklahoma, we have done some calculations, and we think the cost in food stamps alone is at least $3.5 million a year to do monthly reporting and retrospective budgeting. We could save a tremendous amount of administrative cost by eliminating this program. Also it is very error prone.

As Mr. Fulton mentioned, we have an automated food stamp system in Oklahoma. Applications are taken in the county office, the computer checks for duplicate participation at the local level, the computer assigns case numbers, and when the county offices collect the data that is necessary and puts it in the computer system, the computer does the calculation of the food stamp benefits. It is a highly automated system, it works very well.

The one problem with having a highly automated system such as this is that when programs are changed, we need time to write detailed requirements to implement programs and changes. We need time to test the new programs before they are to become effective. We need time to write and issue State manual materials and time to train county staff. Many times this does not happen.

For example, with TEFAP, which became effective October 1, on November 1, we had to make a change to change from 99 percent to 10 percent of the thrifty food plan. It is very difficult to do these things on such short notices. There are a lot of things that can be done with an automated computer system, but you need time to program them properly to do it.

A recent problem that has developed in our home energy assistance program, I think the current law excludes home energy assistance in the computation of the income and the coupon allotment; however, FNS has recently put out a statement that says, "Home energy assistance payments are excluded as income whether or not they are in the form of vendor payments. However, if they are paid directly to the household, the household is entitled to the actual shelter expense or the standard utility allowance if otherwise eligible under section 273.9(d)(6) of the regulations. If the home energy assistance payments are in the form of vendor payments, which Oklahoma uses exclusively, the household is not entitled to the actual utility expense covered by that payment under section 273.10(d)(1) of the regulations. The household is also not entitled to the standard utility amount if the utility expenses are paid by vendor payment."

We did not feel that this was the intent of the law and would like to see that changed.

Since the inception of the Indian commodity program in Oklahoma, 13 tribes have implemented the commodity distribution program covering low-income tribal members in 64 of Oklahoma's 77 counties. We have approximately 4,000 native Americans receiving commodities in lieu of food stamps. The Department of Human Services has received cooperation from most of the tribes in assuring that dual participation in the Food Stamp and Commodity Distribution Programs does not occur. We have been more successful than we thought that we would be.

However, we do have some serious doubts about the wisdom of moving away from the reliance on food stamps as the primary nutrition support program for this country.

One other criticism of the program is the high carbohydrate content of the commodity package. Due to the high incidences of diabetes among the Indian population, the amount of carbohydrate food items seems inconsistent with maintaining a controlled diet.

The Reagan administration has proposed that an administrative cap be placed on funding for the Food Stamp Program. We are opposed to this, and the reason is that this leaves our State vulnerable to added costs brought about by changes in Federal requirements with no financial participation in dealing with the effects of the Federal policies. So any time a change in law puts an administrative burden on the State, the State is going to have to assume that cost if we go to an administrative block grant.

One other item that I did not include in my written testimony that I feel that I should mention and is not currently affecting Oklahoma, although it is most other States, and it will affect Oklahoma if we lose our simplified application processing, and, that is the consideration of the $50 child support exemption in the AFDC program where the food stamp regulations do not exempt the $50 requirement. Because we have the demonstration program in Oklahoma, currently we exempt the $50 child support for food stamps because we use the AFDC income and resource standards.

So we currently do not have a problem. But if we lose that demonstration program, and other States are having this problem now of having to change the food stamp benefit almost every month because varying amounts of child support are received, and it seems inconsistent that in one program you would disregard the child support received and consider it as income in another.

That concludes my comments. I want to say that I feel that the Food Stamp Program is a very good program and helps many people in Oklahoma, and I feel that with the States working together with Congress and with FNS, this can be made into a better program than it currently is. Thank you.

[The prepared statement of Mr. Hogue appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Hogue.

Mr. Hooper.

STATEMENT OF JOHN D. HOOPER, PROGRAMS ADMINISTRATOR, FOOD AND NUTRITION, OKLAHOMA DEPARTMENT OF HUMAN SERVICES

Mr. HOOPER. Thank you, sir. I appreciate my opportunity to be here today, also, to address you, Mr. Chairman.

I am addressing, as you might see here, the Commodity Distribution Program and the TEFAP Program and the nutritional programs. The Department of Human Services has operated this program since its inception in December 1981. We contract for distribution of the commodities with 76 of our 77 counties. The one other county, we contract with local agencies and churches, of this nature there.

During the first 6 months of fiscal year 1985, Oklahoma has distributed 976,188 pounds of butter; 5,600,000 in excess pounds of cheese; and 2,235,000 pounds of other commodities to a total of 2,836,080 people. This, of course, is the total amount, not the monthly average, averaging monthly around 400,000, which is a great number. And unfortunately our system doesn't allow us to come up with an actual figure on those participating.

While all of our counties are participating in the TEFAP Program, only 17 counties are receiving the full range of items provided under the legislation. The remaining counties receive only cheese and butter. Many of these counties have requested the additional commodities for their people. This situation is very difficult to explain to the public and to the county officials since Oklahoma is now experiencing this high rate of unemployment that has been covered, as the Governor said, 8.2 percent, and Mr. Fulton. We would like very much for there to be an increase in the allocation of these additional items sufficient to enable us to provide these food items to all counties.

Despite the popularity of the commodity program, there have been problems that have existed since 1981. At times these problems have been a public relations nightmare. When the program first started, there were relatively few guidelines from the national level. As legislation has been enacted continuing the program, steps have been taken to tighten the program and prevent fraud, waste, and abuse. We think the introduction of the income test was an appropriate action. We feel very strongly about that.

However, the income guidelines vary nationwide from 185 percent of the poverty level to regions of 130 percent of the poverty level in this region. We believe the flexibility given States to set the income cutoff levels has actually reduced the availability of commodities to those who really need them. Obviously, more people can qualify at 185 percent than at 130 percent. I feel that there should be legislation to make eligibility the same nationwide.

Funding of administrative costs has, to a certain extent been a problem. Oklahoma received $642,465 in administrative funds in fiscal year 1984. Our ability, the department's ability, to pay a part of these costs of distribution has helped greatly in interesting counties in distributing the commodities. If the Federal money were to be exhausted or discontinued, the coverage and effectiveness of this program would be seriously jeopardized.

Eligibility and verification requirements have created problems. Oklahoma has gone from essentially no guidelines in 1981 to the 130-percent of poverty income limit and to asking people to provide proof of income. This has been difficult. We support the continuation of income eligibility and verification requirements. This requirement has made some program operators drop out of the program, but it has eliminated many complaints about higher income persons participating in the program.

Consumer and nutrition education—in Oklahoma, we have devoted a great deal of effort to nutrition and consumer education. We have a staff of full-time home economists who provide training for recipients in the use not only of food stamps and commodities—to help them maximize benefits of the program. We have made this effort a key part of helping the elderly, disabled, and other low-income families to expand their purchasing power with their food stamp dollar.

Oklahoma is currently the only State incorporating a nutrition education program in our State plan of operations for the Food Stamp Program. Our staff has worked very closely with State and local health departments and other agencies in providing nutrition education.

The Food Stamp Program is, I believe, the most visible of all of our benefit programs. Food stamp recipients are observed using their coupons in the local grocery stores, and their purchases are scrutinized by many members of the general public. Wise use of food stamp benefits and getting the most of their food dollars are the key objectives of our training program.

We have mentioned a few things about the nutrition and the needs, the malnutrition and so forth. One of the things that has impacted greatly, I think, on some of our child nutrition programs was the elimination of the commodities from the breakfast program. And I think this has affected that program very greatly.

But I would like to compliment you, sir, your efforts to make the nutrition education program a nationwide program have not gone undetected by Oklahoma and our department, and we appreciate it very much, very much.

Thank you, sir.

[The prepared statement of Mr. Hooper appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much, and thank you all. Your statements are very indepth and present us with a lot of excellent views regarding how we can improve the programs.

I could ask you questions all morning, but let me see if I can try to get specific on some of these areas. First of all, Mr. Hooper, let me start with you. You have indicated that Oklahoma does in fact incorporate nutrition education in the Food Stamp Program. Could you explain how that is done and what you use to get that done with the recipient? How does that work?

Mr. HOOPER. OK, sir. With training programs that we have with our nutritionists who, like I had mentioned to you, the training programs. We don't have the staff to do a one-on-one, but we have worked closely with the EFNEP Program and also with the local home extension people over the State, and where they more have the ability to get on a one-on-one contact, and then we work in conjunction with them in providng this service. The EFNEP Program is not a statewide program, as you may well know. So in those counties where we do have the program, we work kind of in an advisory capacity with them and then in the other counties where their EFNEP Program is not, we go in and they work as more the home extension works, in an advisory capacity there with us.

Mr. PANETTA. How does it work for the individual recipient? If I go in and I am trying to qualify for food stamps, how do you tie it into that individual? Does that person have to receive it, receive nutrition education?

Mr. HOOPER. In our efforts to do nutrition education, as I mentioned, not on an individual basis, but we have in our counties with a pilot program gone in and working in this effort to get the recipients to come in and tell them at that time of their application that these services are available. We would be happy to have them come to this meeting. We go with our efforts out in those counties, publicize the meeting and so forth, and we have had a response to it. It is not as overwhelming as we would like to have, but there has been a good response to it.

Mr. PANETTA. I am convinced in testimony and what I have seen that it is essential to tie in some kind of nutrition education into the food stamp effort. We saw the results of that in the WIC Program were probably the best example of where you provide a nutrition component. You are teaching people not just the fact that they need to eat, but what they need to eat.

Mr. FULTON. Absolutely.

Mr. PANETTA. That is extremely important in terms of providing some kind of balanced diet to children and to families, and there is just not enough information out there on it. Unfortunately, as you probably know, EFNEP has been recommended for total elimination by the administration's budget.

Mr. HOOPER. That is the first I had heard it.

Mr. PANETTA. We have, however, in the agriculture budget recommendations not only restored it but provided a little additional room in case we can get H.R. 5151 adopted again. But I think there is a lot of strong bipartisan support for that component.

Mr. HOOPER. I would certainly hope so.

Mr. PANETTA. I am going to let Rob Fersh, who is counsel on the subcommittee, ask some questions.

Mr. FERSH. John Hooper, I just wanted to follow up on your comments about nutrition education. I think it is fairly unusual in that not too many food stamp administrators have gotten involved in nutrition education. If we were to provide additional funding in the hope that more nutrition education services would be provided directly to food stamp recipients, would it be your recommendation or that of anyone else at the table that the money go out through EFNEP, through cooperative extension or through the food stamp agency?

Mr. HOOPER. Personally, I am a little biased there, Rob, and you will probably get a different comment from the EFNEP people this afternoon, whenever they may be in here, but I would think that we would certainly like to see it go through our Food Stamp Program within the department.

Mr. FERSH. Do you have a budget now for food nutrition education in your own budget?

Mr. HOOPER. Yes, sir.

Mr. FERSH. How much do you have on that?

Mr. HOOPER. We are operating with about $50,000, roughly, with about $50,000 in our budget to provide this service. So we have, with the home economists and so forth, and the publication of materials and so forth, is that——

Mr. HOGUE. That does not include the salaries. We have, what, seven nutritionists?

Mr. HOOPER. We have a staff of seven.

Mr. HOGUE. Staff of seven.

Mr. FERSH. Human Services employees, not EFNEP volunteers?

Mr. HOOPER. No, these are human service employees. And this is a carryover from many years that we have provided this service. We have provided this service almost at a time when it was a closet operation, Rob, as you may well recall, and we have kept this service because we did feel it was a vital part.

Mr. PANETTA. Let me ask on the error rate sanction issue, which obviously was controversial in terms of the States, it is the basic problem of you want to get the States to reduce their error rates, you want to provide an incentive to them to do it. There are some statistics that indicate, you know, since sanctions of some kind have been attached to it that in fact the States have been able to reduce their error rates. I know that the administration had recommended with going to 3 percent over a period of time which we thought was going too far.

But we felt that the 5-percent goal might make some sense. But you have indicated skepticism about the effectiveness of fiscal sanctions to get those error rate reductions down. Could you go into that a little further as to what the problem is?

Mr. FULTON. Mr. Hogue made the comment, maybe I can start, and he can supplement me on this answer.

When I got here about 2 years ago, there was an error rate, I think our official published error rate was between 11 and 12. So we have come down dramatically. And it is my premise that the States don't move on the error rate because of the fiscal sanction question. I mean, we have wrestled over fiscal sanctions in AFDC for more than 10 years now, and there has been some small sanctions actually implemented, small in the total scheme of things, but I don't think the improvement in the error rates in AFDC or in the food stamps or in Medicaid is coming about because of that threat. I think it is coming about more because of the States being embarrassed about the indication of poor management.

And really, my own view is that your subcommittee or the Secretary of Agriculture can exert more action in a State that has got a high error rate by coming out and holding a hearing about why the error rate is so high and spreading the public record what the situation is in that State relative to the rest of the country than you are going to get with sanctions. I think that there is no excitement about a warning on sanctions anymore except when it gets so big that it is really threatening the States treasury.

And my own view is that because of the complexity of these programs, the extent to which the error rate is driven by things that the Federal Government makes the States do, that in many cases they feel are not the best way to deal with problems, that it just gets the Congress in kind of a posture for the Federal Government to say, "Well, we are going to give you a passing score here, and if you don't reach that score, we are going to take money away from you."

As Mr. Hogue said, it is going to be counterproductive and any State that has a tight budget, in our case I think if we had to pay back $1 million, there is just no question that we would just eat this out of the department's budget. We would not get that back from the State's—the legislature in the form of increased offsetting State appropriations, and that, in turn, would just impinge on our ability to either have good food stamp administration or to provide some other benefit or services to people who need it.

So I think the Quality Control Program has made a tremendous contribution in terms of pinning down management problems, of giving an incentive for the States to deal with them. We do deal with them. Every error Mr. Hogue presents to all of our field offices, not just the ones to wherever the error occurred or not just to who in the State office the error occurred if it moved up here, and we have a followup plan that is individualized, targeted to the specific problem that these errors reveal, and we have made tremendous progress.

I was embarrassed about the error rate, I still am. I wish 7 percent would turn into 5 or 4 overnight. But it is a long haul on some of these things, and I think the Federal Government really needs to get into a different posture.

Just one more thing. I think it would be inconsistent, and I know you haven't endorsed this, but the block granting of administrative costs would be really fundamentally inconsistent with continuation of error sanctions on that. If you are going to block grant, I don't know how you play the quality control issues into that. So we are committed to good management, and I think all the States are, and I think the system has had a profound effect on good management, but I don't think it has come about because of the threat of taking dollars away as much as it has just the highlighting that it is given to the policymakers and to the political leadership of the fact that there are managerial problems in the programs, and some of the error that we suffer with is just going to almost be endemic. You aren't going to get down to zero error, although everybody would like that, too.

Mr. Hogue, do you want to add to that?

Mr. HOGUE. Yes; I would like to suggest that possibly one of the greatest things that could be done to reduce the error rate would be a simplification of the program at the Federal level. For example, in our simplified process where we are using AFDC income and resource standards to determine the coupon allotment, the error rate fell tremendously on it simply because the workers at the local level don't have to treat a PEL grant different for the food stamps than they do for the AFDC Program. If there was some standardization in the program, you could eliminate many, many errors if they would allow more flexibility to the State.

An example, a number of years ago, Oklahoma routinely made home visits on food stamp applications. At that particular time, our error rate was roughly 3.4 percent. They changed the law at the Federal level to say that you could no longer make home visits. We eliminated the home visits, and the next sample, our error rate was 11.5 percent. Very simple thing.

Now, obviously it does cost money administratively to make home visits and FNS has relaxed the regulations a little bit to allow you to in questionable situations make home visits. But the fact is, it is very, very difficult when an individual comes into an intake office in the county to determine whether what they are saying is questionable or not.

So I think there is a lot of things that could be done at the Federal level that would eliminate a lot of errors that are made in States.

Mr. **Panetta**. There is no question that that was one of the thrusts of H.R. 5151, to provide for that kind of move toward standardization. I think there is a great deal of sense in that approach. But I don't want you to underestimate the pressure we get at the Federal level when——

Mr. **Hogue**. I understand that.

Mr. **Panetta** [continuing]. When those kinds of error rates come flowing in, the pressure then is to take some hard action to do it, and that is one of the reasons frankly in designing H.R. 5151 that we got the vote that we got on the House floor. Unfortunately, it didn't happen on the Senate side.

But I understand the problems, and I am sensitive to what the States are saying about tightening that screw so much that you wind up hurting the beneficiaries of the program.

Let me ask you, we are getting increasing reports of health care impacts of lack of nutrition, increasing low-weight births, problems with children who are beginning to show some of the same signs of malnutrition that we saw in the 1960's. And we have gotten some recent reports from a nationwide study that indicated that this was a growing problem.

Do you see any health care impacts on nutrition problems in Oklahoma right now?

Mr. **Fulton**. There certainly are, and that has been a concern here too. In fact, one of your witnesses this afternoon, Sandy Ingraham, is the author of a major study on parental health care problems, including nutritional problems.

We also have a severe problem with teenager pregnancy and early motherhood which relates to this concern, low-weight births partly because of the age of the mother, many times because of nutritional difficulty. And it is a concern, and we are in need of working with the AFDC and food stamp caseload, people on the caseload, much more effectively in these areas and linking them to services, not only our own nutrition education efforts but also in the WIC Program, the Head Start Program, in terms of almost parental education relative to dealing with young children, and then, of course, the work that the local health departments do in testing, genetic testing, and disease prevention of various types.

So, there is a real challenge there, it is an opportunity for much further innovation in our State in regard to these problems, and I think the fact that people are in the Food Stamp Program or the AFDC Program with very young children, and many times during the pregnancy, of course, we administer the Medicaid Program in our agency, we have the Early Medic Screening Program as part of Medicaid and AFDC, but that is an emerging need, and I am sure you are going to hear more about it in later testimony today.

Mr. PANETTA. Let me just ask one more question of the panel.

It is an area that we find a need to really increase attention on, which is the whole idea of work programs related to these areas. I have yet to go to a soup kitchen or a food pantry where when you talk with the individuals there, they prefer not to be there. They prefer to have a job and to be employed, and I have not seen anybody who was happy about going to a soup kitchen, and that has been our experience wherever I have gone.

So the point is how to tie these programs into an effective work program that isn't just filling out an application or filling out a form and sticking it in a file, but making it meaningful. We are seeing some innovative programs beginning to develop. At our hearing in Boston, there is a program there that I think is an effective one. San Diego had a basic Workfare Program but the fact was that they, just because of the quality of the people that were administering it, it is a program that works in their area.

We, in the H.R. 5151, have basically tried to increase funding for job search and that type of thing.

First of all, you indicate you have got work programs that are working. Do you have a mix of those programs? Do you have one program that you are trying to put into effect? Obviously if you propose mandatory workfare, and I think there is no question that there are real questions about mandating it just because of what it does do in terms of the administrative burden, and the fact that, you know, the bottom line is you don't just want to mandate something just so people are filling out the lines or filling out the boxes, but you want it to work.

So often that depends on the quality of people that are implementing these programs and their own dedication. But what are you doing along those lines, and what is the best way to try to make that work in terms of Oklahoma's situation?

Mr. FULTON. I want Mr. Hogue to talk about how we are approaching it now with the AFDC recipients, but I want to make a couple of general observations.

First of all, I think a very tragic mistake was made in welfare policy in 1967 when the WIN Program was created separating the work issue from the administration of the basic welfare programs. That meant that basically the social workers in all the welfare offices in the country were told, "Employment is not your responsibility, not your concern." We created an unreal situation where the people that knew the most about the AFDC families and their needs were essentially out of the work issue.

And that has been struggled with for that entire period, and I think we have finally come around to a more sensible approach through the WIN demonstrations that have now been adopted by, I guess, two-thirds of the States into which we are unifying much more of the work with the families and the adults in those families, the older teens, on work programs.

I think there is probably down at the bottom line a sort of a premise in that the way most people get their jobs who are not on public assistance or food stamps is through somebody that is interested in helping them. A lot of people are hired through walk-ins, kind of just showing up where there is a job opening, but an awful lot of people get their employment opportunity through somebody that has an interest in helping them, opening a door for them.

And what we are trying to do at the bottom line in Oklahoma is create in our local human services offices a helping hand, a friend, if you will, who will take more than just sending somebody down the road to knock on an employer's door, but actually be working actively with those employers, convincing them that the people on public assistance are not hopeless as far as employment, that many of them not only want to work but have something useful and important to contribute, and basically to do a selling job within the community on behalf of the recipients and then help the recipients to take advantage of that, whether it starts with get your GED, work on your English language a little bit, get enrolled in typing training or computer, data input or whatever kind of training might be needed and appropriate for that individual. But be active in the search, help with job search techniques, the job club idea, whether it is done formally in an organized group or individual counseling or group counseling, it is very important, a very important tool.

Community work experience for people, particularly who have never successfully held a job or perhaps have simply not been in the work force and have a great deal of uncertainty about whether they are able to cope with it, with the demands of a job, community work experience can help. And we have used it, I think, something on the order of 700 or 800 people are in it at any given time in Oklahoma, but it is certainly not a cure-all, and not a panacea.

The basic thing that I think we need to indicate in our social service staffs is that employment is a route to independence and self-sufficiency, and it also can create in the public assistance family the kind of role model like the children have. They have a successful employed person at the head of the family. And we have done some things in Oklahoma that a few years ago I think would have been considered almost unthinkable.

For example, we have a waiver of the age of child. There is no exemption from the work expectation based on the age of a child in Oklahoma because of waivers we have got under the Federal rules. I believe something like 60 percent of our placements in AFDC are by mothers with children under 6. The mother comes on AFDC with her single child and maybe two children while she is still young and still very committed to trying to better herself, and I think that is working.

There isn't any one single answer that will work. We are going to try diverging in our AFDC Program. We think that can be useful with particularly longer term recipients where we basically buy in using the welfare dollars to an employer. I know Texas has already got a small program in that, and maybe Mr. Dukler could comment on that, I don't know that grant diversion would ever be very useful in food stamp employment, but it certainly could be tried.

So I think with food stamps, we would like to start with essentially the assisted job search as the key component and then look to see where from there. But first we have got to have some staff time to give that helping hand.

Mr. HOGUE. Let me explain to you just a bit our structure in the county offices right now, and this was developed starting in January 1982 for the AFDC Program. In each of our 77 county offices, we assign what we call a job developer. The purpose or the responsibility of the job developer is to work in the community and locate jobs, individuals that might possibly employ recipients of welfare and then to develop in each county office what we call a job bank. Also the job developers do orientation classes, job readiness classes, structured job search and self-directed job search, then handle the Community Work Experience Program.

When we contracted with FNS to do the job search for the Food Stamp Program, our plans were to take advantage of the job banks that we already have established in these 10 counties that we are going to operate the program in and place additional job developers in there that would work strictly with the food stamp applicants. And the food stamp job developer will have the responsibility of also going out and developing some jobs and replenishing our job bank as well as the AFDC workers.

Previously we had found in the Oklahoma County office, at one time we took four workers and put those four workers in food stamp intake and started using the job bank, and what we found was that it was much easier to obtain jobs for the non-PA food stamp applicants than it was for the AFDC applicants, basically, the reason being most of them have job histories, they have worked before. You can't live on food stamps alone, so they have got to have some income from some source to help pay rent and utilities. And usually they appreciate any direct referral that we could give them.

So we think that in these 10 counties, if we can develop enough jobs, that we will not have a problem of getting the non-PA food stamp recipients referred over and getting them jobs.

Mr. PANETTA. Thank you very much, and thank you all. I deeply appreciate your taking the time and giving the testimony you have presented. It has been very helpful to us, and we hope that we can continue to work with you. If you have any additional comments or any additional thoughts as we proceed with our work on the reauthorization, I would really appreciate your communicating directly with myself or Rob Fersh and the staff.

Mr. FULTON. Mr. Chairman, I would like to just mention that sitting behind us here is Linda Volz, who is one of our key supervisors in the Food Stamp Program. Down in the audience is Marilyn Henderson, who is head of the nutritional staff, and I thought perhaps one thing we might offer would be to give you a better, more full description of our approach and some of our accomplishments with the nutritional educational effort. I think you showed interest in that, and Marilyn can certainly pull some things together that we can supply you.

I also want to make the comment, following on something Mr. Hooper said, that we are now in fact supporting the distribution of the emergency commodities with State-only money because we are broke on the Federal grant, so we feel that program is important enough, so at least through the rest of this State fiscal year and probably through the first few months of fiscal year 1986—our fiscal year is July 1—we will have to carry that program administratively with State money, and it is unfortunate because we don't really have the extra State money to do it. But we do have to squeeze it in because it is important to do.

Mr. PANETTA. I might just mention that there was broad consensus in the Committee on Agriculture to continue that State funding. We may not be increasing it, but we will be continuing it at its current level.

Mr. FULTON. One final point. Secretary Block has personally taken an interest in our State nutritional efforts, has given an award of recognition to our staff for their effort, so I know there is an expectation on his part to continue expansion of that effort.

Mr. PANETTA. He has got a very interesting role. He is giving awards on one side and recommending the elimination of the program at the same time. We will see how he comes out.

Mr. FULTON. We will include his comments in what we send to you.

Mr. PANETTA. Thank you all.

The next panel comes from the State of Texas. We appreciate their taking the time to come here and present their thoughts. Martin Dukler, who is the deputy commissioner of the Texas Department of Human Services; Dale Marsico, who is director of the Brazos Valley Community Action Agency; and Norma Plascencia-Almanza, who is director of the Anti-Hunger Coalition of Austin. Welcome all of you here, and thank you for taking the time to come here to Oklahoma City to present your testimony.

One of these days we are going to get our subcommittee down to Texas. But until that happens, we appreciate your taking the time to come here and present your testimony and give us some sense of how these issues are impacting on the State of Texas.

Let me state for all witnesses that if you summarize, your prepared statement will be made part of the record, and so whatever you can do to summarize those statements, we would appreciate, and then we can provide a little more time for questions and answers.

Mr. Dukler.

STATEMENT OF MARTIN A. DUKLER, DEPUTY COMMISSIONER FOR PROGRAMS, TEXAS DEPARTMENT OF HUMAN RESOURCES

Mr. DUKLER. Thank you. I want to express my appreciation for giving me the opportunity to address you today on the Federal food programs. My name is Martin Dukler. I am the deputy commissioner for programs for the Texas Department of Human Resources.

The agency I represent is the single State agency in Texas responsible for management and provision of social welfare services to indigent Texans. What that means for the State of Texas is that we serve approximately 1¾ million people per month with a budget excluding food stamps of about $2.8 billion a year. If you add the food stamp dollars on top of that, it would be $600 million in addition.

The two areas that I will cover today are the Temporary Emergency Food Assistance Program and the Food Stamp Program. But first let me give you a little bit of background about Texas.

In 1985 the Texas population is estimated to be over 16 million people. Nearly 19 percent of the population is considered to be living at or below the national poverty level, and nearly 25 percent of that population is considered to be living at or below the gross eligibility limits for food stamps. Less than half of the potentially eligible food stamp population is actually receiving food stamps or receiving benefits from the Emergency Food Assistance Program. Between the period 1980 to 1985, during which we have seen rather dramatic changes in the Food Stamp Program, there has been a 14-percent increase in Texas population, a 43-percent increase in the poverty population in the State, and only an 8-percent increase in the individuals receiving food stamps. Finally, while there has been minimal growth in food stamp participation, a rather dramatic increase in the administrative cost per case has increased 75 percent to operate the Food Stamp Program.

There have been rather substantial economic health problems in the State, and as Mr. Fulton said earlier, Texas, Oklahoma, and many parts of the Southwest that have been historically dependent on an oil economy are now suffering from that dependency, and our unemployment rates and our State budgets are suffering because of that. We are now facing some rather dramatic structural changes in our economy to try to deal with the fact of our historical oil dependency.

The information, the statistics I have given you, gives us some insights. I think, one, for all the good intentions that Congress and the administering agencies have had in modifying the provisions of the Food Stamp Program over the last few years to improve its efficiency and its effectiveness, the net result has really been a more dramatic increase in unit cost with really no indication of efficiency gains or effectiveness improvements.

I would like to address the two programs separately if I might. I will be more brief on the Temporary Emergency Food Assistance Program because I know my copresenters are going to dwell on some of those issues more, but let me talk a little bit about that Temporary Emergency Food Assistance Program from a State perspective.

This program in Texas operates and reaches about 1½ million people. We think that it has been so successful because of the accessibility of the benefits, the relative simplicity, and the immediate issuance, and the key word there being immediate issuance of food assistance. This program has obviously been invaluable to many people who need temporary and emergency relief.

The fact that the program has been labeled temporary since 1981 is a rather unique situation in that the program has continued to be a temporary program, and we are continuing to talk about a temporary program for the future. Maybe we should begin dropping the word temporary and in fact talk about this program being the basic ingredient for emergency crisis food assistance as a basic component of our social welfare structure within this country.

If the program is continued and the State of Texas continues to support it, this program does have several issues that we want to raise and some of which I will agree in force that Mr. Fulton has already raised.

The first issue is the administrative funding level is inadequate. Local community agencies have historically been notorious for their ability to obtain community support for these services, but it is really not realistic to assume that these agencies can secure donations of transportation, warehousing, and accounting services adequate to meet increasingly stringent accountability requirements of the U.S. Department of Agriculture. The estimates are that in Texas our $3.2 million administrative resources grant from the Federal Government for the administration of this program will run us short about $650,000 and this State is in the middle of a legislative appropriation process and is struggling to find resources adequate to support that. It is not clear at this point that they will find those resources, and if they do not, then the State will end up having to say to the contractors, "We are sorry, but we can't continue to provide adequate financing."

In 1981, when the program began, the basic interest from the Department of Agriculture was to see how quickly the States could move what was then massive quantities of butter and cheese collecting dust in storage. There was no accountability expectations and there certainly was no administrative reimbursement. Since that time, the Department of Agriculture has layered accountability requirements on the States, and these requirements on the surface are not improper. They include such things as reviewing the records and the claims, some liability for spoiled food even when the spoiled product is because of storage at the Federal level and not storage at the local level, recordkeeping, and reporting on recipients served and so on. But the requirements are improper if there is not adequate financial reimbursement for same.

Texas fully supports the Federal initiatives to reduce inventory. We think the program has some proven interest, and obviously we are concerned about adequate reimbursement at State and local levels.

A second area of concern that we would like to raise is over the food products distributed. Cheese and butter are a lousy diet for people that are hungry. Food banks do a fairly good job at securing additional food from other sources. The USDA provides States with limited, what they call bonus items, but the availability of these bonus commodities is erratic and is certainly far below the need.

In February, Texas distributed the entire bonus allotment to 78 out of 254 counties. We continue, and have historically had, significant shortfalls in the amount of bonus commodities available. It is also difficult to plan for warehouse space and distribution when there is no consistency in either the local distribution or the type of food that is being distributed at the local level.

I don't think there is any question about the need for the program or its value in meeting hunger in the State. We do recognize and we recommend, however, that the program, one, be reauthorized and, two, that the level of administrative reimbursement be sustained at 5 percent of level of food product distributed but that the State estimates of what food product is distributed be used rather than some other estimate which has resulted in significant shortfalls in funding; third, that the Federal accountability expectations be either suspended or that States and local agencies receive adequate reimbursement for the costs associated with those expectations; and, fourth, that there be some significant changes in the Federal food distribution system to improve its efficiency.

Right now distributors, shippers require us to receive shipments in train carloads which then puts the burden on the State to redistribute. They also have 2 weeks to ship within, and we will receive those products any time within 2 weeks. If we are expecting local community organizations to find free warehouse space, it is very difficult for them to find it when they have no control over the receipt of those commodities.

The second area that I would like to address is the Food Stamp Program. This program has been the principal food and nutrition assistance program for over a decade. If there is a failure in the Food Stamp Program, it is a failure to clearly define what its object is.

In preparing these remarks, I went back and I read the act as it was passed in 1977, and I read the preamble, that portion of the act which states what the intent of Congress is. And let me just quote to you a couple of sentences in this. It says:

> It is hereby declared to be the policy of Congress * * * to safeguard the health and well-being of the Nation's population by raising levels of nutrition among low-income households. * * * The Congress further finds that increased utilization of food in establishing and maintaining adequate national levels of nutrition will promote the distribution * * * of our agricultural abundances and will strengthen our agricultural economy.

Nobody disputes this intended purpose. States do find it curious, however, that the principal focus over the past few years has been on redefining who the poor are, major efforts to catch the cheaters, and massive, expensive efforts to ensure that the Food Stamp Program operates with few errors even if it costs more money to prevent the errors than are actually saved in terms of Federal outlays.

If the program's principal objects are to make low-income families eligible for food and nutritional assistance and to assist the agricultural industry, it is not clear why most of the statute and ensuing regulations relate to secondary objectives.

I don't want you to misinterpret our message. Texas is a solid subscriber to the belief that only those in need should receive. Texas also believes that its service programs should operate at the peak of efficiency and States have a strong incentive, not a minimum incentive, to minimize errors because the States share in that cost, as well. But continued success in doing these things is contingent on several major ingredients, and let me cover them briefly.

First, States which operate the Food Stamp Program, as Mr. Fulton and Mr. Hogue have already indicated, also generally operate the AFDC Program. And most States do so to maximize efficiency and to reduce management costs. The more these programs require separate definitions and operating procedures to determine eligibility, the less likely that we will be able to get further gains in efficiency. It is imperative that the ingredients for household eligibility determination be common among the AFDC Program and the Food Stamp Program. That is not to say that we have got to have common thresholds for eligibility. But the definitional and procedural requirements must be.

Second, since 1981, the number of changes in statute and regulation in the Food Stamp Program have been absolutely astronomical. As Mr. Hogue indicated, every time a change comes through, we have to change operating systems, and we have to change our manuals for our staff. Since 1981, the State of Texas has made 113 federally imposed changes in the manuals and operating systems of our agency. These changes may have resulted in desired Federal policy, but it has been at a very sizable administrative cost. There does seem to be some inconsistency in the fact that Federal policy increases administrative costs, at least in the State of Texas, by a factor of five over benefit levels.

There are a couple of particular issues that I wanted to mention. The continued requirement for a monthly reporting and retrospective budgeting system continues to fly in the face of Federal analysis which indicates that the requirement not only does not reduce administration, doesn't reduce overpayment, it increases administration. The State strongly supports the provision of your bill, Mr. Panetta, which provides for an option of monthly reporting and retrospective budgeting, and the State has been on record stating that for some time.

The administration's proposal to require food stamp recipients to work off their benefits is strongly rejected as a viable or valuable social welfare policy. Texas strongly supports the requirement for participation in work programs. Work fare, however, is merely another tool to reduce participation in the Food Stamp Program.

In Texas over 30 percent of the food stamp households are earning income. The workfare requirement will result in some of them losing their earned income and becoming eligible for higher food stamp allotments. For those who continue to work, the States administrative cost of securing part-time workfare will significantly outweigh the benefits achieved.

With an average allotment in Texas of $146 per month, if you assume a policy that the food stamp recipient would only have to work an equivalent of minimum wage hours for that allotment, that would require approximately 40 hours per month. If a household is earning income they would be required to work significantly less than that. We would expect that the cost to the State and the Federal Government would be at least $146 a month to operate a workfare program for part-time jobs, monitor the employment, and to handle the paperwork.

If, indeed, the Congress seeks to include employment and self-sufficiency as new policy objectives for the Food Stamp Program, I would suggest there are far more effective approaches. And Mr. Fulton suggested the cashing out of the Food Stamp Program as it relates to SSI. He also talked about grant diversion as a component of the AFDC Program.

One possible option you could consider is to allow for a cash-out of the Food Stamp Program for a grant diversion in the Food Stamp Program. In this situation, the food stamp household, once employed, would be receiving a paycheck from the employer, the employer would receive a subsidy from the State and the Federal Government for the food stamp benefits, and both the State and the Federal Government would benefit from short and long-term cost avoidance.

States have a lot of different ideas about ways to handle employment services and their relationship to both the AFDC and the Food Stamp Program. I think one of the keys to the employment services components of both the AFDC and the Food Stamp Program is the fact that they have got to recognize the variability within the State of local economic conditions. If we were in south Texas, which has one of the highest unemployment rates in the State, there are certain kinds of employment services that work, and there are certain kinds of employment services that do not. A workfare program may not work at all, because—and then again in very high employment areas, very low unemployment areas, work fare may not work because there are no jobs available to begin with.

There again in a very low unemployment area, like Houston, in fact, workfare may work. So I think one of the features of the employment services' initiatives that we have attempted to undertake in the AFDC area is one that tries to build that program that is sensitive to local economic conditions.

The administration's proposal to cap administrative spending in the Food Stamp Program appears to be an illogical, selfish solution to a mutual problem. The predominant reason administrative costs have increased in Texas is because of the massive amount of imposed changes, the quality control system and its pending sanctions, and the drive for increased automation. States support some of these things. That is not to say we don't support the changes.

But the cost of administration is directly related to the degree of regulatory and statutory prescription. And I think as we have seen in the health care industry, overprescription results in increasing costs. And that overprescription will, without control, result in increasing costs in the Food Stamp Program, as well. And States will strongly oppose a reimbursement freeze if there is no control on prescription of policy and behavior at the local level.

The third area that I want to speak to, and obviously one of interest to you, Congressman, is the area of food stamp quality control. As I have said before, the States support the proposition that errors cost money and should be avoided. The State of Texas has been trying to drive its error rates down from a high of 11 percent to our current rate of about 7 percent. We, too, believe that we can get to about 5 percent. And we are not sure that we can get beyond the 5 percent. States do not, however, support the existing quality control system, the sanction provisions, the modifications to that system included in your bill or the more recent provisions recommended in the Senate.

States can and will continue to improve the administration of the Food Stamp Program and thereby reduce errors. The key to this continued success does not lie in subjecting the States to arbitrary and punitive fiscal sanctions which diminish the resources that we need to finance the varied administrative improvements essential to error reduction. Any legitimacy of the sanctions depend on their being reasonably related to an accurate determination of the payment error for which States have control.

This is not the case. The current arbitrary and punitive sanctions serve only to further undermine the joint responsibility of States and the Federal Government that we have for the administration of the program.

Mr. Fulton in his remarks, or in response to your question, indicated that one of the probably more effective ways of seeking some changes in the level of quality control that States operate is to have a public hearing in a State and basically embarrass State administrators. I would agree with him. I think we would respond far more to public exposure on quality control than we would to a Federal sanction or threatened sanction, all the different steps that we go through relating to good faith waivers, the probable court action that will follow once a sanction is actually imposed, the hearing process.

I would estimate that the State of Texas, since 1981, has spent both in the collection of data and the handling of the administrative part of the sanctioning process, including good faith waivers, has spent well over $10 million. We have spent, in terms of paying back the Federal Government for errors, $85,000. That is a rather sizable difference in terms of the costs and benefits of this entire quality control initiative.

The provisions in H.R. 5151 and the Senate proposal, though somewhat logical with cursory review, assume that the data collection, the analysis and the corrective action provisions are acceptable and then extracts even more punitive penalties on States for failure to meet this mythical tolerance level. The reason is that there is a shift in the application of that sanction from the administrative budget to a dollar-for-dollar sanction on the food stamps—food stamps erroneous to the issue.

The result of these penalties will be that States will be forced to pay more in penalties than they spend for administration. And, in fact, the Senate provisions explained how the States will reimburse the Federal Government if the penalty is larger than the Federal share to begin with. I don't think such prospects are very likely.

There are several specific changes that we recommend you consider in the food stamp quality control. These changes are similar to those that have been incorporated in H.R. 1279, recently introduced by Representative Matsui, as it relates to the AFDC Program.

First, we suggest that there be a minimum quality control policy and procedure established. Currently the State review staff, the worker staff, the eligibility staffs spend about 45 minutes making an eligibility determination. The State review staff, because of Federal regulations, spend about a day reviewing that 45-minute decision. Federal rereview staff have an unlimited amount of time, and it averages between 2 and 2½ days reviewing the State review.

Now, if you wrote a paper and you spent 30 minutes writing that paper and you asked me to look at it, and I spent 2 days reviewing your paper for grammatical errors, I am certain that I could find some grammatical errors in your paper. We have the same situation being applied in the Food Stamp Program. There is no doubt that you can find errors with such microscopic examination.

Second, the national error rate must be sensitive to and adjusted for local conditions. The States operate in many different ways. The State of Texas does not have an unemployed parents program in its AFDC Program. The State of Texas does have some fairly serious differences from the Northeastern States in terms of what is happening to our economy now versus what has happened to their economy now.

Third, the error rates must be sensitive to and adjusted for federally imposed service delivery change or rapid caseload growth.

Fourth, the State should be rewarded if they do the job that the Congress would expect them to do and the administration would expect them to do and have low errors.

Mr. Chairman, Texas has been a long-time supporter of the Food Stamp Program. We have a history of excellent management. We have been recognized nationally by the Department of Agriculture for our efforts in fraud prevention and control. We are dedicated to the proper brokerage of the public purse. We strongly encourage you and your subcommittee to seriously reexamine the degree to which Federal policy has swayed from its original objectives of helping the poor and the farmers of this country and the degree to which we have moved toward building administrative labyrinths simply to prove that we mean well.

Texas manages a Food Stamp Program through 500 offices. I constantly have staff coming to me recommending and requesting that we issue new rules or that we step up new reporting procedures. I tell them two things or several things. One is I tell them that all the wisdom doesn't exist in Austin and that I will only consider policy changes which come from those who actually are delivering that service. I will only consider the policy changes if they reinforce the program objectives, and I make them go back and reexamine the program objectives, and finally I will only consider those changes which help us do a better job. Don't just give us information that we think we would like to have.

I haven't for the last few years seen the same principles applied at the national level, and I would encourage you to instruct, through your wisdom, the Department of Agriculture to try to accommodate some of those issues, particularly as it relates to refocusing on what the basic objectives of this program were.

Thank you.

[The prepared statement of Mr. Dukler appears at the conclusion of the hearing.]

Mr. **PANETTA**. Thank you very much.

Mr. Marsico.

STATEMENT OF DALE J. MARSICO, EXECUTIVE DIRECTOR, BRAZOS VALLEY COMMUNITY ACTION AGENCY

Mr. **MARSICO**. Thank you, Congressman.

Let me express my appreciation to you for the opportunity to be here today and, in a personal way, let me express my gratitude to the chairman for his positions on these issues and other issues that

I have been involved with in my agency over the last several years. Although you may not remember me, I have crossed paths with you in places like the American Public Transit Association and a few other issues on the budget and operating transit subsidies that are important to the needs of low income people. Those issues remain important, and it is also in that regard that I express my appreciation for you being there on those occasions as well as this one.

You have my written testimony, and rather than belabor you with reading it, I would just like to call a few things to your attention. I am the director of a community action agency in central Texas that serves 10 counties, and we have been active in nutrition programs for people for a long time. Currently we operate the Commodity Distribution Program, the WIC Program, the title III, Elderly Nutrition Program, the Meals on Wheels Program, child care feeding and a few other odds and ends of the private and voluntary sector.

I would say that we have seen a great many changes since the passage of the Omnibus Reconciliation Act, and I think that the legislation has been important in redefining to a degree the role that we play in the local level and the role that we expect the Federal Government to play at that level.

Further and more importantly, administratively everything that you have considered in this subcommittee usually ends up at our doorstep in one way or another, and often it is somewhat different from what the subcommittee has intended, I think, and what the Congress has intended. I think in no place is that more important than the kinds of changes that we have seen for people in our programs who have a relationship to the Food Stamp Program.

Although we don't administer food stamps, I think it is important to point out very strongly that everything that happens in my agency and in any programs that I deal with is affected by food stamps. There is a common thing in Texas these days about discussing the economy of Mexico, and every time anybody brings it up, they say something to the effect that when the United States economy sneezes, people in Mexico get pneumonia.

Well, when there is a change in the Food Stamp Program, every other program that we operate gets pneumonia, even when those changes are positive. The clients we serve are constantly confused by the rhetoric and the sounds and changes about food stamps, positive and negative things. People are frightened—especially at the very, very lowest level of income and lowest levels of education—that the program is simply going to disappear.

There is no doubt that the kind of rhetoric that has kind of emerged from Washington the last couple of years, especially that continuous harping on the subject of waste, fraud, and abuse, have frightened a lot of people unnecessarily, especially the elderly. I think that psychologically when you take the issue of food stamps, which is the only national lifeline that we have, in the context about what has been said about it from the President, from the Secretary of Agriculture, from certain Members of Congress, the psychological position of people who are poor and desperate is made worse by the rhetoric that comes out of Washington.

Oftentimes I think the other problem associated with that is reform. Every time somebody hears there is going to be reform, it means they are going to get something less. Consequently, in the Emergency Food Assistance program, specifically commodities, we see a lot of fallback because of that issue.

I have attached to my testimony a survey that we took of people on line, sponsored by Texas A&M University, well-known conservative think tank. It says very, very few people who participated in our program and in the study also participated in the Food Stamp Program. What the study doesn't say is that we have discovered recently a lot of those people were in the Food Stamp Program at one time, but they aren't anymore. The open eligibility of commodities makes it easy for people to apply. The difficulty in eligibility for food stamps makes it hard for people to apply.

In that regard, the program in my area has grown from approximately 5,000 individuals a month to 37,000. The rate of growth that we are projecting based on the increments of growth over the last 3 or 4 months is that if I had enough commodities, I could serve 45,000 people. Pretty soon, based on the statistical matrix of 125 percent or 130 poverty criteria, it is feasible if the commodities were available that I would serve everybody who is theoretically eligible for the program in my area, and I think all of that is related to all this business about food stamps.

The same thing you find true, I think, in the programs that you operate, like WIC. My WIC Program has been filled up for 2 years. There aren't any more slots. USDA is holding our money. I have 2,000 people in it already. Prior to 1980, I was lucky if I could reach my participation at all. Now I have a waiting list of several hundred people, all of them in the priority one and two groups, that meaning all pregnant, all lactating, all infants, all children. So, you know, those growths come from somewhere.

About commodities now, there are some things about it that have been said, that there are some things that I am sure you will hear from everybody else. There are a couple of things I would like to reemphasize.

First off, I am an extremely fortunate camp director in the fact that half of the costs for my Commodity Distribution Program have been picked up in partnership with local government. It is very difficult in my State to get county officials to pay for anything, whether it be fixing a street, but it is especially difficult to get them to help somebody who, is needy. I have never seen the kind of tremendous response from elected officials at my level to help with this program. They pay for about half the operating cost of the delivery and of the storage and shipping cost, the 5 percent that has been appropriated and attached to it.

You know, I get real irate because everybody says that is administrative cost. Well, none of it goes for administration of my program, it goes for shipping. What I would really like to emphasize that from the other camps, and 70 percent of the service providers who provide service in my State, hardly any of it goes for administration. It is shipping, storage, and distribution costs. And I think that we need to continuously emphasize that fact, that none of it goes into overhead or administration.

Additionally, the other half of that program and its expenditures are really paid for out of the infamous Community Services Block Grant Program. As you know, the administration hasn't really liked that program for years, but I can't help but emphasize that without the assistance provided in the block grant, we wouldn't have a distribution program. I notice that Mr. Dukler said we were notorious for raising funds for this program at the local level. Half of those funds really are dependent on the Block Grant Program.

In retrospect, the administration has often put forward the requirement that the community services block grant is duplicative of other programs, especially the Social Services Block Grant Program. Well, there is no money for commodity distribution in the Social Services Block Grant Program, and we don't see that there is any chance of there being any additional funds in that program for that purpose.

In closing, I would say that although we have a number of difficulties with the programs in place, we think there is some room for improvement. There is no doubt that the packaging of commodities is a mess and needs to have some tending to. Recently I have received a whole load of milk that was packed in paper sacks and couldn't be stacked for shipment. The butter comes in questionable storage containers, usually in wax paper, which is made difficult for people in warm climates to deal with.

Besides those issues, and one other thing I would like to point that we especially notice in the WIC Program is that there really is and remains to be a viable nutrition education program for low-income people. I know at times of reductions in benefits, education is always something that suffers. Although in the rhetoric I have heard about education reform, it is my personal perspective at my level that, you know, strong and solid and important nutrition education programs are just as important as advanced mathematics, good grammar structure or how to read and learn how to understand Latin.

For low-income people, especially people who are relatively new to the problem of being poor, education in the nutrition field shouldn't be minimized. And I think we see more and more of that, and we see a real problem with education in the Emergency Food Assistance Program in the fact that, believe it or not, there are people that if they received 5 pounds of flour or corn meal wouldn't really know what to do with it to get any benefit from it.

So I continue to urge people to look at the education program as an extremely important vehicle for improvement. In the WIC Program, I have any number of good stories about people who receive food stamp benefits who feed their children french fries three times a day because it is convenient but do so out of ignorance and not so much out of desire. So all of those efforts, coupled with nutrition education, can make an improvement.

I would hope that the subcommittee would consider all these issues for what they are worth. You know, there is no doubt that our position as a nation is dependent upon the quality of life for our people. If you happen to be poor and happen to be hungry, you have no quality. The only chance people have to get ahead, I believe, is if we foster the kind of environment that will allow them to go ahead. And productivity and education and the benefits of our society are much more difficult when you haven't got enough food to get out of bed every day.

So I would hope that we would remember that, and I would hope that we would have a way to contain the rhetoric that kind of has created a panic and a fear among the people that I serve and among the people for whom these programs were intended. May I thank the Chair for its time and patience.

[The prepared statement of Mr. Marsico appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much.

Ms. Plascencia-Almanza.

STATEMENT OF NORMA PLASCENCIA-ALMANZA, EXECUTIVE DIRECTOR, ANTI-HUNGER COALITION OF TEXAS

Ms. PLASCENCIA-ALMANZA. I have to congratulate you. You didn't get scared with my name, and you pronounced it right. It always scares everyone off.

Mr. PANETTA. That is because I am from California.

Ms. PLASCENCIA-ALMANZA. I know. I noticed.

Mr. PANETTA. Go ahead.

Ms. PLASCENCIA-ALMANZA. I am most appreciative of the interest that your subcommittee has taken in trying to get our local views. It is oftentimes very difficult to let the Nation know, and sometimes much less the State agency know, how difficult it is to administer these programs at the local level, and some of the speakers earlier mentioned that we need uniformity, we need eligibilities set at the national level. In reality, at times that really hinders programs getting to people who are eligible for them.

I am here representing the Anti-Hunger Coalition of Texas, which we call ACT. ACT is a nonprofit statewide organization We are a membership organization and have been in existence since approximately 1980. Most of our members and most of our activities have to do with the direct assistance at the local level of food to the needy, and as such, I can say that about 4 years ago we changed our focus. Prior to that, most of our focus was in doing workshops to try and explain the then-immense regulations that existed so that people could apply for food stamps, could apply for WIC, programs that in parts of Texas were clearly unheard of and were not known.

But 4 years ago, I got involved instead in having to push the development of food banks because it was very clear that people were not going to get assistance under the Food Stamp Program, and it was very clear that people were out there asking for emergency food at a time when food pantries were almost scarce. We no longer had them even though they have always been with us. And, therefore, since 1981, we have seen in Texas the development of over 15 food banks. Now, if you know Texas, even though we are quite large, we do not have that many major urban areas. So over 15, and we are still developing, is a significant number.

In addition, we have worked very effectively to gain support of groups like the Texas Retail Grocers Association, the Texas Motor Transportation Association in trying to support those food banks in their efforts of obtaining donated foods from the private sector and passing that on to the needy.

Most recently, we have spent the last year and a half working with the Senate Interim Committee on Hunger and Nutrition at our State legislative level with regards to the report that they have been doing on hunger.

As you know, I am here basically to speak to the operation of the Temporary Emergency Food Assistance Program TEFAP. Currently, according to the Department of Human Resources, that program is serving approximately 415,000 eligible households, which I think translates to a little over 1½ million persons receiving benefits. It is a sad reality that in comparison to the Food Stamp Program, there are only approximately 390,000 families.

Now, I do want to make a point that it does not mean necessarily that everybody that is on food stamps is receiving commodities. So if you add those two figures, it gives you an indication of the number of people out there that are in need of assistance.

It is our strong belief that the TEFAP Program, with the level of funds that it receives for so-called administration, which is really storage and transportation, has been quite successful and is operating quite effectively because to cover the kind of ground we are covering in our State and to have it covered with approximately all 254 counties, it is quite a deficient program.

We are aware that one of the main reasons Congress authorized the program was not so much because of the need for food but because of the immense stockpiles that were occurring at a time when spoilage was also occurring. So in that sense, if we compare it to the situation today, it is our strong belief that the stockpile is still there of uncommitted commodities, that there is still a need out in communities. I don't know of any State that is beginning to report that hunger is decreasing.

So we urge, of course, that at this point the TEFAP Program continue, and counter to, you know, Mr. Dukler, I have to say that I want to see it continue as a temporary program. People cannot survive on cheese and butter. It is my strong belief that the food assistance programs are much more effective in dealing with a need out there and that this program is clearly temporary and should remain as such.

It is also our concern, though, that that program not become an entitlement program, and I think that that is what Mr. Dukler was referring to. It is becoming an entitlement program. When the legislation for that particular program came out, it was very clear that the intent was to put as little redtape as possible on the program, and in reality we have seen a change there.

Before I go to some of the specifics about TEFAP, I did provide you a handout titled "Going Hungry in Texas." It is some statistics that I have pulled out of the Senate Interim Committee report which you may have seen. I do have some copies of it.

I think that it is important to note, first of all, that Texas, like the rest of the Nation, is showing significant increase in our poverty population. It is very alarming because if you look at the tradition of Texas, we have in our borders some of the poorest counties in the Nation already, and we are now seeing a whole new population of unemployed, and that first chart on page 1, you will note that there are many persons who are exhausting their unemployment benefits, and that means that those persons are going to be falling deeper into poverty.

I wanted to add there a side comment that that raises a question with regards to workfare requirements with the Food Stamp Program. In Texas, right now, we are competing for very limited JTPA programs through Job Partnership Act, a population that is employable but unemployed and who needs, you know, retraining, and they are competing with women who are on AFDC who are being forced to try and look for work when there are no backup supports for those programs. So I want to say that that is a conditional thing to look at.

On page 3 of the handout that I provided you, I think it is very interesting to compare the increase of food assistance requests from both the private sector and the public assistance programs available for food stamps. I think it is interesting to note that there are over 1,893—now those are those who responded—pantries now in existence or groups providing emergency food in the State.

If you compare the two charts that are parallel; you will see that at the same time those emergency providers are reporting significant increases, we are seeing a drop in the food stamps, and yet those providers are stating very clearly that the people that are coming to them who are for emergency food are people who, in reality, are in chronic need of assistance and that is what the Food Stamp Program, the Elderly Nutritional Program, and the WIC programs were created for.

Again, it is interesting to note the comparison of the number of people who are participating in TEFAP and the number of people who are participating in food stamps.

One of the major findings of the Texas senate committee, which was extremely alarming to Senator Hugh Palmer who chaired the committee, is the fact that we are seeing that the safety net programs that we have had in place are now reporting that even among their participants—I am on page 4, specifically with regards to the WIC Program—in a February 1984 survey of 1,300 WIC recipients, that means people who are already, you know, clearly classified as at nutritional risk, 38 percent of them indicated that they had insufficient moneys or WIC benefits, and they were having to skip meals either for themselves, for their children, or their infants on a regular basis.

Further, in a nutrition survey of 200 children in Houston, the city health department found that 70 percent of the children were receiving inadequate intakes of milk and meat and 90 percent an inadequate intake of fruit and vegetable products.

Sixty percent of the participants in the Elderly Nutrition Program, and that is of the population that was surveyed, are reporting oftentimes that that meal is their only meal. Folks, these are the programs we claim is what keeps us on border with Ethiopia. These are the programs why we claim that Ethiopia would never occur here.

So I think those statistics are quite striking and clearly should indicate to the current administration that there is no safety net and that we are in a position to lose valuable programs because, as Dale Marsico said, people will no longer even go and apply for food stamps, even though they need them, because of the redtape that occurs.

So I felt that the information that has come from that report is very significant. It has for the first time urged our State legislature to try and obtain State funds to supplement those programs: the WIC Program, the Food Stamp Program, and the Elderly Nutrition Program. There is currently a bill in both Houses that will supplement those three programs so that they can expand and become more efficient in trying to reach the people, you know, that they serve.

I am glad to report that at least as of last week, the Senate had voted favorably out of committee the Omnibus Hunger Act of 1985. So I think it is extremely important to note that.

Let me now try to turn to the Temporary Food Assistance Program [TEFAP]. I think the basic problem again is that the intent of TEFAP is that it be a temporary program, that it not have a lot of redtape, and yet we are seeing it succumb to eligibility requirements, we are seeing it succumb to audits and as we do that, that program is becoming extremely difficult to administer.

In our State, as I stated earlier, the Texas Department of Human Resources board of directors early on voted that that program would be targeted to all 254 counties. I understand that that is not true of every State. Because of that, there was a real effort to get out there and to put the program in place. I work daily pretty much with the contractors. There are 82 contractors throughout the State. Those 82 contractors are responsible for those entire 254 counties. Approximately 34 of the contractors have responsibility for the major part of the State, and those contractors are community action agencies, much like Dale Marsico's shop. There are also about seven food banks that contract to distribute commodities.

It is an important note there, when the first giveaway program began, DHR called our office and before Christmas we got our first cheese and butter out. At that point, we did that through the food banks which were really in their first year of operation. And I do know that many State agencies would prefer food banks to handle the commodities. I think Mr. Dukler can testify to the fact that because of the redtape in TEFAP, many of our food banks have pulled out of the program, and I have to say that I do not, you know, look down on that and really support them because the purpose for which they were created, which is to distribute and obtain donated foods from the private sector, was interfering, many of them could not operate effectively.

What resulted, though, in our State is because food banks had facilities to distribute large quantities of food, because they are set up with volunteer networks and can easier obtain donated services, it was possible for our State to distribute extremely large amounts of food when there was no reimbursement available, and I keep hearing, "Well, if you did it then, why don't you do it now?"

The reality of it is that with the food banks pulling out or cutting back the amount of commodities that they distribute, we now are faced with having community action agencies who are not into the distribution of food, who oftentimes are in counties that have no storage facilities, much less adequate transportation picking up the cost, and that is why the cost of administering this program is far beyond the amount of money that is available.

If we were to turn into dollars all of the local and county support that comes, and that support in our State is everything from using county dump trucks, lining them to go pick up commodities, using the National Guard on 2 days' notice to go pick up all the commodities to keep it in their facility for 1 day and to distribute it throughout the valley in a day's time in the middle of the summer heat, those are some tremendous efforts, and I have to say that there is not one contractor in our State who is not knocking themselves out.

So what we are seeing now is that there is going to be a shortfall in funds even for this area because we have done such a good job, and the reality of it is that we are being penalized because of that.

Clearly, transportation and storage are the highest costs incurred and those are actual dollars. Our State has decided recently to continue, at least for this time, reimbursing contractors at 5 percent. I think that that is very important. Like I said, it is very difficult. That 5 percent does not even cover the usual store-to-store transportation cost that most contractors incur. Contractors are absorbing costs for staffing. They are in the CSBG Program which Dale Marsico was mentioning.

According to many contractors which I am in contact with, they are estimating that it is coming to the point that for every $3 TEFAP reimbursement they get, they are investing from $1 to $2 through community services block grant moneys. If that program is not funded as the administration, you know, proposes, we would basically have virtual halting of distribution in our State because, again, those 34 contractors are mainly responsible for distribution throughout the State.

I have received calls not only from community action agencies, and I have brought even some of the letters from some of the other contractors in our State, they are anywhere from labor organizations to counties. And let me say, and I think you know, Marvin and Dale can speak to it, Texas is not a State that traditionally knocks itself out in any type of a human assistance program, and they are doing it for this program.

Why I would urge continuation of TEFAP at least for another year is because by bringing those counties closer to the people in need, our counties are learning, our State agencies are learning that the need out there is quite severe, and I think that that will then translate to better working communication and relationships to expand again and improve at the local level the participation in the Food Stamp Program, the WIC Program.

And with that, I am going to basically let you ask us questions.

[The prepared statement of Ms. Plascencia-Almanza appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much, and thank you all for your advice. Again, it is all very helpful.

Let me ask very briefly a couple of questions. One, you stated that less than half of the potentially eligible food stamp population is receiving food stamps. Why is that?

Mr. **Dukler**. I think a couple of reasons: One, the State of Texas historically has had a preclusion placed on our appropriations that precluded us from any kind of outreach for the Food Stamp Program. Again, I think, as Norma said, the State has not been particularly prone to advertising public welfare services, and it did so in a rider appropriation that precluded any outreach.

I think a second portion is that I think a large portion of the State still has not gotten an understanding that the purchasing requirement went away. People who did not purchase, who used to have to purchase stamps 6 or 7 years ago through the ATP have not now realized, because we do not do a very good job by statute informing people of the purchase requirement going away. Unfortunately the Senate is now proposing a purchase requirement again, if I understand it.

Mr. PANETTA. That is correct.

Mr. DUKLER. And I think it will fly, but in any case, I think that is part of the preclusion.

I think the third reason is that while Norma said that the State is a large State, that it is populated in major metropolitan areas, where we serve the worst is in the rural areas. We have 254 counties in the State of Texas. We have 500 offices. Eighty-five percent of our offices are in metropolitan areas, so an individual who has got to go through monthly reporting and go to the office when their paperwork gets lost or it gets jumbled or their benefits aren't received on time isn't going to drive across a county or two to get food stamps very frequently. So there is an awful shortfall in service in the rural areas.

Ms. PLASCENCIA-ALMANZA. If I may also add a comment that I think that Martin is not bringing out enough, and that is the error rates, the fear of State agencies to increase that error rate. You know, if it is felt at the State office at the local level it is worse, and in my visits at the State, I have been alarmed, as much as it seems great, at noting that in some case DHR food stamp offices are working hand in hand with pantries, and I have seen in some case where instead of trying to process someone, and if you look at my chart on the number of expedited food stamps that are issued in our State, those workers will oftentimes, if there is any question with regards to an applicant, will funnel them out to the emergency food line instead of giving them benefits that they are entitled to.

And I think that, again, that monthly retrospective reporting and those changes are what really has an impact.

Mr. PANETTA. Let me just make a comment on the issue of sanctions, because I think all of the principles that you cited, Mr. Dukler, in terms of your policies, trying to ensure that they are policies that help deliver services and reinforce program objectives and try to get the job done better are policies that we try to implement.

But there is also another issue, and that is a policy that makes sure that the program survives politically. And unfortunately, be it rhetoric or what have you, there is a tremendous focus on this whole issue of fraud, waste, and abuse, and it is the kind of issue that raises a great deal of concern in Washington in terms of the programs that are being implemented.

I think one of the problems that I have with just leaving it up to the subcommittee to kind of go around and yell and scream at you when your sanctions are high, is that, very frankly, if we did that in Oklahoma or in Texas or California or New York or Michigan, if we did that enough, guess what those Congressmen are going to come back to Washington and do? They are going to basically come back and say, "You ought to do something about that, you are yelling and screaming about problems of error rates in my State, you know, you better damn well do something about it."

So, it is not that simple. What I would like to do, I appreciate the concern about the sanctions, though, because I do know that ultimately if you oppose those sanctions what you wind up doing is hurting the very people you are trying to help. So that there has got to be perhaps some middle ground here to try to make clear that that has to be improved, but I can't tell you how. One of the things that I have been trying to implement as chairman is to try to stabilize this program because of the tremendous changes that have taken place.

I am very sensitive to that because I have been on this committee now almost 10 years, and the changes that we introduced 8 years ago just made their way into the funnel a few years ago. I appreciate that, so one of the first things I will try to do is to stabilize it.

The second thing is try to take it off the political front burner as a backlash issue. I think that it is extremely important to recognize that need for the program and not make it a whipping boy that symbolizes other problems in Government.

The third thing is to try in the same pattern to make sure that these programs are effective and that we are trying to take a gradual step in H.R. 5151 to deal with some of the problems we are seeing.

Much more needs to be done, but it is going to take a balanced approach to try to get it accomplished. But I do appreciate what you have presented here because it helps us in trying to design what that package should look like.

Mr. MARSICO. Along those lines, there is some positive unintentional education going on about food stamps with the general public because of the commodity distribution program. Now like we mentioned the cooperation of extremely conservative individuals, it is amusing and somewhat sad that if you stand in a line watching people get their commodities and a county judge who is notoriously badmouthing welfare programs for years says, "Where is the Food Stamp Program" to these people, "What has gone wrong with food stamps, how come they can't apply anymore?" And in that way, I think we are doing something on that educational level.

But, as I said earlier we need to tone the rhetoric down, and I think we need to get our message across better about the benefits, and I think indirectly we are making some progress with commodities.

I think we also make that progress in a larger degree among extremely conservative individuals in WIC. There is a natural affiliation for people who are opposed to anything to always be interested in supporting unborn children, and with the issues of abortion, the very people who often speak out against some of the things we are doing get kind of politically trapped in supporting programs for unborn children, and I think that we have done some programs in our area that have dealt with that kind of positively. But that is pretty long term, and unfortunately it is going to be a while before I think we can make kind of the way WIC has grown to be acceptable among those individuals on food stamps.

Mr. **Panetta**. The other thing, too, that I think I have always found is effective is that if you point out, you know, this isn't just a question of cutting costs in one area and not picking it up someplace else. I mean, if we don't spend sufficient funds on nutrition, we are going to have to pay it elsewhere. We pay for it with poor education because kids aren't able to get a decent education. We pay for it in health care costs, we pay for it in a number of other areas. So there is a cost transfer here if you don't provide sufficient funding for nutrition that has to be emphasized, and we are thinking about doing some studies on the select committee to try to focus on that.

The WIC Program proved that for every $1 spent in that program it saved $3 roughly in health care, and we would like to see what that means in terms of other programs, like food stamps and others. I think there is a real case to be made that these nutrition programs are saving us money in the long run.

Anyway, thank you all. I really appreciate your testimony.

Mr. **Dukler**. Mr. Chairman, let me make one more comment, in response to yours, about quality control. States are going to continue to fight against the sanction.

Mr. **Panetta**. I understand.

Mr. **Dukler**. I also want to make sure you understand that we are not so politically naive that we think it is going to go away. But we certainly do feel that we have got to ensure that that sanction system that may in fact be applied is a fair one and can be fairly applied. One that will so undermine our ability to operate our programs can't in any way be considered to be fair. One that concerns us, if the current error rate is sustained in Texas for the next couple of years and the provisions of your quality control system were in place would require me to pay $8 million more than I am getting now from the Federal Government, and that to me is not a fair way to try to extract quality control.

I think there are some other ways. I think there is clearly in monetary issues some tolerance level issues, some differences between States issues. I think our key concern is a fair approach, an accurate approach.

Mr. **Panetta**. I understand. My basic intent is to try to find that middle ground someplace. We were caught with a combination of monthly reporting and trying to get rid of that, at the same time trying to move a bill through, and that is why we have been able to work out the coalition we did. But I nevertheless want to make sure that whatever we do is not going to impose greater burdens in terms of beneficiaries, that is what concerns me, and the evidence I am seeing right now is that that is a part of the impact here, and we have got to try to revise that.

Ms. **Plascencia-Almanza**. I just wanted to make one comment, and that is that it is not going away. The WIC program that we are all praising, right now Texas——

Mr. **Panetta**. That is right.

Ms. PLASCENCIA-ALMANZA [continuing]. Has not received an estimated $8 million in carryover funds. In addition, we may have some cutbacks. That discourages our State legislators. That discourages our doctors who are very supportive when they see that despite Congress and their decisions and their allocations, when they don't see that cooperation, that is what hurts our programs at times, the feeling that even Congress is not committed to keeping these programs.

Mr. MARSICO. Not to mention the clients.

Mr. PANETTA. Thank you. I appreciate your testimony.

The next panel is Oklahoma Community Services: Sheryn See, who is director of Project Get Together from Tulsa; Sylvia Yipin, who is a food stamp participant; Bill Freeman, who is director of the Great Plains Improvement Foundation, if he is here; and Ruth Wynn, who is director of Jesus House in Oklahoma City, something we are going to soon.

Again, I would like to welcome you all here to the subcommittee, and again we will make your full statements a part of the record.

If you could summarize it, that would be helpful, and we will begin with Ms. See, who is director of Project Get Together.

STATEMENT OF SHERYN D. SEE, EXECUTIVE DIRECTOR, PROJECT GET TOGETHER, INC.

Ms. SEE. My name is Sheryn See and my remarks are based on activities related to Project Get Together as well as the Tulsa Community Action Agency, of which I am treasurer, and various other organizations in Tulsa.

I should explain that Project Get Together is a private nonprofit organization, one of many serving the Tulsa area. We do provide food along with clothing, financial assistance, medical assistance, and budget counseling to families in need.

All of our Tulsa service agencies report an increased drain on our resources in the recent years, although many of us receive inkind contributions from the private sector. In our case we received a 16-percent increase in our inkind contribution in 1984, but still had to spend an additional $22,000 of unplanned money to provide food.

The people who meet privately in Tulsa are, as I understand, unique to many communities. We have the good fortune of being linked with a series of private nonprofit organizations that provide services similar to ours and we do meet regularly to coordinate and provide input on various issues.

We try to gage trends and we try to provide appropriate advocacy for our clients. All of the private, nonprofits, report that they do receive a number of referrals from DHS and I think that we work regularly with the DHS personnel who meet regularly with us in the inner work framework.

You will see the remarks from some of these people and in the interest of time, I will let them remain a part of the permanent record here.

Most private food providing agencies in Tulsa have received FEMA money and we have noted that it is the FEMA money this year that is getting us by. This despite, again, the increased inkind contributions.

Most of us noted just 2 days ago as a matter of fact that the only reason we currently have food on our shelves is because of this provision. We frankly don't know what we would be doing otherwise.

We certainly know that the extent of hunger and malnutrition in Tulsa is underestimated. The families that come to Project Get Together, as I said, receive budget counseling.

In October 1982, the families who came to us on the average were missing 20 percent of the revenue needed to meet barebones budget. In October 1984, they were missing 50 percent. They are worse off than they were.

It is also our perception that food is the elastic item in these people's budgets. Utilities, rent, and transportation are rather much constants that folks have to account for regularly. When an emergency does occur, be it medicine, car repairs, school supplies, funeral, whatever, it is literally only the food budget that seems to allow them to stretch or not, and usually it calls on them to simply cut back, skip some meals, not purchase the food.

We have our clients tell us continuously the difference between what they feel they should be spending to feed their families and what they are spending and these are people who in many cases are participating in the Food Stamp Program.

We do know that there are health problems traceable to nutrition. At Project Get Together alone we can chronicle low-birth weights, birth defects, and infant mortality in the offspring of the clients that we have served.

I should point out that we do not have prenatal facilities so this is through our social services partnership. However, our medical clinic chronicles chronic illnesses, illnesses seen over and over again, people who simply can't get well from a cold or flu or pneumonia or whatever and they attribute this substantially to problems of diet.

There are other problems that we can only suspect are traceable to diet. These are people who may be in their forties or older and begin to be literally debilitated from the work force by certain diseases.

The questions invariably arise as to who will provide assistance if the Federal Government doesn't, if the State government can't. Well, our experience is that everybody else is being tapped out, too. In Tulsa, we know for a fact that most of the mainstream denominations in the religious community are experiencing their own revenue shortfalls.

Literally virtually every one of them has in recent months conveyed this to me. We have even had letters from some saying that we are simply not getting our pledges, this is going to impact our pledge to you, please understand. One extremely large church in Tulsa is typical when they recently laid off six employees.

We also know that individual giving is being stretched to the limit. This last year Project Get Together faced a $73,000 shortfall in our contribution level. In December we sent a letter out to all of our contributors who had not yet contributed for the year of 1984 asking them to please help us by at least telling us why they could not contribute anonymously if they wished to do so.

The responses came back pathetically, people saying that they were receiving twice, three times the number of solicitations as before, that they had had to consolidate their giving, but they knew their church was supporting us and they hoped that that would be enough.

We did put in closer than the $73,000 but we were still $25,000 behind at the end of the year, and that is assuming a deferred gift that we knew was coming later this year. We hear the same reports from businesses and foundations.

We do know as regards the Food Stamp Program that we would desire, if anything, to see it increased. We realize that this is a problem.

The current funding levels in our experience are wonderful for families who can avail themselves of such things as volume discounts, but many people simply don't have the opportunities to do that, or they lack the transportation to be able to carry the appropriate amounts of groceries home with them or they don't live in areas where the groceries are priced well. So consequently, they will experience a shortfall by the end of the month.

I also think that a reevaluation of the work requirement may be in order especially where people are in school, and I know that Mr. Fulton had mentioned that it is not being pushed, but I will tell you that where the client is so honest that they really want to know, it is being enforced if an individual is in school and attempting to receive food stamps, that they are being told that they do need to work a certain number of hours, especially where there are rehabilitation programs, the situations seem to work at odds with one another, and I think particularly in the vo-tech program in Tulsa, certain other programs that we have seen where people in the long run have great possibilities of no longer having to require public assistance.

We have only a brief experience with the commodity program. It initially was a wonderful experience. However, the commodities began to come to us in worsening condition and about the same time the eligibility requirements, or the certification process, perhaps I should say, was stiffened.

Because we, as a private social service agency, rely so heavily on volunteer support, we really felt that we needed to no longer participate. The quality of the product at that time and the extra work we were asking our people to do over and above the enormous amount of work that we asked volunteers to do already did not make it cost-effective, unfortunately, for us to continue.

I think perhaps a self-declaration type of situation such as we had initially might eliminate that problem. When we initially participated, it was assumed that if we found people eligible for our services, that they most certainly must be eligible for the commodity program, and we recognized that there were some political constraints related to strike and so forth and should strikers benefit from the sorts of things that accompanied that decision if it did not bring it along.

We also would speak to a simplification, if possible, of the food stamp regulations. As outside practitioners in the field and understanding that the mandate is that we will be increasingly practicing, apparently, it is difficult for us to feel confident that we are offering appropriate referrals.

We have, I think, excellent information provided to us in as timely a fashion as possible by the department of human services related to income guidelines and so forth, but when the eligibility gets complex, it is very hard to know whether we are sending somebody down to wait an awful long time and not get certified.

Related to nutrition education, it was very gratifying to hear you speak to sort of a cost-benefit analysis on that. It is our opinion that trying to translate that both for certainly the public relations of the program, but also really for the client, is very, very beneficial.

Our people understand that it is important that their children eat well and our experience is that they try very hard to see that that happens. However, they don't translate that necessarily as an investment in their own health or in the future need for health care costs, and that sort of line being drawn, I think, would be most helpful.

We do support the increased nutrition education program, and I have been a party to some of the efforts that DHS has sent out from its central office. They are excellent, but they are simply not enough at this point.

Again, I would thank you for coming and I do so on behalf of my board, on behalf of our colleagues in Tulsa, and certainly on behalf of our clients.

[The prepared statement of Ms. See appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much.

Let me just ask you a quick question as I go through it. If you take the amount of people that you were serving, let's say, last year or the year before, what are you seeing this year.

Ms. **See**. So far this year we are seeing a 20-percent increase over last year.

Mr. **Panetta**. Twenty percent increase?

Ms. **See**. Right. Now, last year, our figures are adjusted for some decreased hours and so we would have to—we kind of see it on a par with the year before, which, by the way, 1983, was a 61-percent increase over 1982 in our overall service level. It nearly killed us. Last year it was pretty much on a par with that.

Mr. **Panetta**. How much of that would be food assistance?

Ms. **See**. The vast majority entails food assistance. Not everybody who comes to us receives it but almost everybody who comes to us receives it as part of the——

Mr. **Panetta**. So that 20 percent you think is basically reflected in food needs?

Ms. **See**. Absolutely.

Mr. **Panetta**. Thank you for coming. We appreciate it.

STATEMENT OF SYLVIA YIPIN, FOOD STAMP PROGRAM PARTICIPANT

Ms. **Yipin**. My name is Sylvia Yipin, and I receive food stamps. I'm supposed to say that I'm glad I'm here and that I appreciate your time and everything.

Mr. PANETTA. You can say whatever you want.

Ms. YIPIN. OK. But I'm not glad I'm here because last night I went home, I was practicing my speech and this morning I came here and I was practicing and after I was listening to Governor Nigh, Mr. Fulton, Mr. Dukler, and these people, and I don't know how to use those big words, so excuse me, people.

Mr. PANETTA. You don't have to.

Ms. YIPIN. I might get nervous and I might say Cuban words in between, so I will try.

Mr. PANETTA. I understand some Cuban words.

Ms. YIPIN. Good. I can talk to you in sequence.

I have been receiving food stamps since September 1984, and this is the first time that I have to be on welfare and any member of my family. I guess I married the wrong guy, and after having so much problems, he left us, my baby—oh, and I had a baby, he was born in April, and the baby was 3 months old, and he just left us.

So I come from Brooklyn, NY. I've been in Oklahoma since September, and I hope I could start a new life here. I thought I would just come here and get a job right away and be able to support my baby and me, and it wasn't that way because I need experience and I needed more education and after looking for jobs all over the place, so I had to go and get relief.

Now, I'm a CWEP worker, as a Community Work Experience Program in the Sequoyah Building, and I hope I could get a job soon. I have pretty good chances of getting a job.

Mr. PANETTA. How old is your baby?

Ms. YIPIN. He is 11 months old. He will be 1 year in April, next month. And I really appreciate the foods stamps because they have helped me so much with my baby. As soon as I get those food stamps, I know my baby will have food for the whole month, and that's the first thing I do.

Sometimes when I go to the grocery stores to cash the food stamps, some people look down at me. Maybe a lot of you people do that. You see somebody, a young healthy looking woman with food stamps buying steak or meat and you say, oh, I can't afford to buy meat, but she does. But now I realize it's once a month when I first get my stamps, I run to the grocery store and I buy a nice steak or a nice piece of meat, at least once a month I could have something. Maybe the people who think that way about me, you could go to a steak dinner twice a month, three times a month, which I can't afford.

Well, I would also like to include some baby items in the Food Stamp Program, like diapers. My baby now, he's in the day care center and they only have disposable diapers. I spent like one-third of my food stamps in diapers, about $40 a month in diapers, and I would think that would help me a lot if I get the whole amount because I could just go buy everything he needs and the rest would survive.

I would like to say that I hope I get a job. People should never look down at other people when they go to buy with foods stamps, because in my situation, I never thought I was going to be on welfare.

Like, you see somebody with a nice coat, a nice fur coat, nice boots, you say, hey, she's buying with food stamps and she has a nice coat, she could have that coat 5 years ago, and so, like in a month I was already on food stamps.

So I think it is a very good program and it has helped a lot of people. It has helped me a lot and I wish people would keep doing what they are doing with the Food Stamp Program.

Thank you.

[The prepared statement of Ms. Yipin appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much. How old are you?

Ms. YIPIN. I am 40 years old.

Mr. PANETTA. When did you first come to Oklahoma?

Ms. YIPIN. In August 1984.

Mr. PANETTA. Were you together with your husband at that time?

Ms. YIPIN. My husband? He's in Brooklyn, NY.

Mr. PANETTA. So you came by yourself?

Ms. YIPIN. With the baby. I was desperate and my baby was 3 months old. One day after he threw me out of his apartment, I went to live with my mother. He kept coming there every night and threatening me. He used to throw rocks at the end of my mother's house and he used to wreck my car. I had to get an order of protection against him.

Mr. PANETTA. Why did you come to Oklahoma?

Ms. YIPIN. Because I had a friend that I grew up with and I wrote to anybody in my family for help, and she told me, OK, my doors are open for you.

So, my baby was 3 months old and I put him in the car and I drove from Brooklyn all the way here. It took me about 5 or 6 days, but I made it, and I'm a hairdresser. So I was thinking, OK, I'll go to Oklahoma and get a job. Maybe I could buy my own beauty salon.

But I was single then and now I have the baby. So if I go to work in a beauty parlor, it would be hard for me to get a babysitter for weekends, No. 1. No. 2, medical benefits, the beauty parlors, they don't have that, and I would have to work long hours. So that's why I'm looking for a job like I could get medical benefits for my baby, especially for him, and like from 8 to 5, I could get a day care center for him.

Mr. PANETTA. Do you find that, let's say, on a month-to-month basis now in terms of your rent and your utility bills, do you find it difficult to meet those bills at the same time?

Ms. YIPIN. Well, it is not easy. Before I had the baby, I used to make in 2 days what I make now in the whole month, because I used to work sometimes 12 hours a day, I didn't care.

I was single, I was making a lot of money on tips and commission business and I worked 6 days a week and I worked over 60 hours a week. I didn't care.

Now it's hard on you when you're used to coming home with $400 a week to live on a $218 budget. It's hard.

Mr. PANETTA. Does your husband pay you child support?

Ms. YIPIN. No; he got a letter from the Oklahoma welfare that he has to pay a certain amount.

Mr. PANETTA. But he hasn't done that?

Ms. YIPIN. No, he hasn't responded. Oh, and then, well, for Valentine's Day, after 7 months, I didn't hear from him, so he sent me a check and he wrote in the check, "Happy Valentine's, Sweetheart," but I turned that in to the child support, because I didn't want to give it back to him. He doesn't deserve it and I can't keep it..

Mr. PANETTA. Thank you very much. Appreciate it.

Ms. YIPIN. Thank you.

Mr. PANETTA. Ms. Wynn, thank you for coming. You may proceed.

STATEMENT OF RUTH WYNN, DIRECTOR, JESUS HOUSE

Ms. WYNN. I thought I would feel like a fish out of water here, but all this sounds very familiar.

We talk to numbers of people every day just exactly in her situation. We are just a group of poor people helping poor people. We are not professionals in any way, but we have been successful in meeting the needs of a large number of people through private funding, caring people.

I'm going to skip a lot of the rhetoric I've got in here and make it short.

Mr. PANETTA. I think you do all right just talking.

Ms. WYNN. We agree a great deal with most of what we have heard here today. I have seen a lot of the points that we would like to bring up have been touched on. Perhaps I would mention here an indication of our present rate of increase—well, I'll mention, we shelter, feed and clothe, and also give out food baskets and other assistance for anyone who comes in any area of Oklahoma City or country for that matter, whoever comes to us.

We utilize the community food bank, which has been a great help to us, and we also get commodities at this time. Up until 2 years ago, we didn't find it necessary to use any Federal money, but with the large increase in numbers of people, we have utilized some emergency FEMA money, and that, I think, has been a necessary help, and I think that that shows how the private sector and the Government can work together hand in hand if we will all put our heads together and work at it. We can alleviate a lot of these problems.

I think that a lot of people are afraid as that one man said, that the bottom is going to drop out, there will be no more stamps, there will be no more AFDC, there will be more cutbacks. I especially would not want to see the food stamps or the WIC programs or the school lunch programs cut back any more.

Half of the people that come to us for food baskets are also receiving AFDC and/or food stamps. This indicates to us as well as some of the information on sample applications that we enclosed here that food stamps are not sufficient in the amount of money because of the assistance requests we get. Many of the people are just not getting enough to be able to keep it together.

Mr. PANETTA. How many people do you serve?

Ms. WYNN. Well, I don't have a lot of statistics. I brought somebody with me that does. We serve like——

Mr. PANETTA. A day?

Ms. WYNN. We fed 400 persons last night in our foodline, making a total for the month of March of 39,488 meals. Last March 21, the total was 19,262, an increase of 20,226. I don't know what percentage that is.

Mr. PANETTA. It's called double.

Ms. WYNN. Right.

Mr. PANETTA. Are you experiencing a doubling?

Ms. WYNN. Yes, we are. I noticed she said 20 percent, but we are, I think, double last year all the way around and it hasn't slowed down. Just keeps a little bit at a time increasing.

Mr. PANETTA. Are you getting families or are you just——

Ms. WYNN. Families, many families. See, on our assistance and on our food basket programs, it's all families.

We don't give out food baskets to single men because they can come to the foodline, and there are other areas that they can be dealt with. I have here, we have 200 to 300 per month more families coming. Our total food baskets last year was 12,000 or 1,000 a month, and the average family consists of five people.

That's a whole lot of people being fed. And it costs a lot of money, and we have found, though, that the people in Oklahoma City once they are aware, I think once the private sector really becomes aware, we think there needs to be a lot of media support, a lot more education and a lot more motivation of the private sector to be involved.

I know that a lot more can be done. We are not aware of what's being done perhaps in other parts of the country, but I know that corporations and churches and all these people, if they put it all together with what we can work with on food stamps and other Government programs, that I believe some of these 3 million homeless and those that would be homeless if they weren't getting help can be helped, because I think we all have to take strong leadership.

We all have to work hard at it. And we really appreciate the fact of having an opportunity to express our feelings.

One thing I would like to see more of is the commodities. I wonder about being able to use commodities in the food baskets. We have not done that. I understand here that we are not allowed to do that. But I feel that we could add more protein. I don't know the rule, generally the Federal guidelines for that. Do you?

Mr. PANETTA. You should be allowed to do that.

Ms. WYNN. I am not sure, but I have been told here that we couldn't. But to add butter, cheese, peanut butter, and canned meat and things to some of the other items we are able to purchase would be a great help.

Mr. PANETTA. Let me ask you, I think perhaps the problem is verification of the people who are receiving it.

Do you basically serve everybody that comes in?

Ms. WYNN. Yes, there is a problem.

Mr. PANETTA. OK.

Ms. WYNN. I also would mention that I think that is pretty rough, that verification, because it is pretty hard to prove that you're unemployed. It's pretty hard when you don't have anything to prove you don't have anything.

Mr. **Panetta**. I haven't seen an awful lot of people who can afford it wind up in a soup kitchen, if you want to know the truth. I mean, most people who go into a foodline, it's a place that they don't particularly like to be.

Ms. **Wynn**. Right; and they don't like standing for hours in line to receive maybe just a small amount of something that will help. I personally do not see the abuse and the waste that I hear so much talked about.

We feel that everybody that comes knows they are going to get some kind of help, but they really have a need. I had one little paragraph, feeding the hungry, clothing the naked, caring for the poor and ill, bringing the stranger into our houses are all an integral part of the Judeo-Christian teaching and American heritage.

We believe it is possible that caring, concerned people will become more and more involved in doing these things. Until that time, we, all of the poor and homeless, will stand in need of your help. And that's the way I feel.

Thank you.

[The prepared statement of Ms. Wynn appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much for your testimony.

Ms. **Wynn**. We would like to have you come with us and eat lunch.

Mr. **Panetta**. I was going to say, probably the best way to see your operation up close is to go there, which is something we would like to do in each of these meetings we go to, so we look forward to going.

Ms. **Wynn**. Everyone who would like to come is welcome, and it might be hopefully your last opportunity to eat in a foodline.

Mr. **Panetta**. Let's hope so. Anyway, thank you for the invitation and thank you all for your testimony.

We are going to take a break for lunch. I would like to start the hearings at 1:30. We initially planned to start at 1, let's make it 1:30 just for that timeframe for those that will be testifying this afternoon.

The subcommittee is in recess until that time.

[Whereupon, at 12:30 p.m., the subcommittee recessed to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Mr. **Panetta**. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is in order again for purposes of continuing our hearing on the food distribution programs in Oklahoma and hearing about the situation generally with regard to hunger in this area.

Our next panel is Mr. Jerry Levi, who is director of the Potawatomi Commodity Food Distribution Program, and Elden Roscher, who is executive director of the Oklahoma Retail Grocers Association.

If they would please come on up. I apologize for being late, but we were at the Jesus House getting a tour of the facility and kind of a firsthand look at the problems that were facing the people there, how the programs were or were not working.

Mr. Levi, if you would go ahead and proceed as director of the Commodity Food Distribution Program, we would be interested in hearing your experiences.

STATEMENT OF JERRY R. LEVI, DIRECTOR, POTAWATOMI COMMODITY FOOD DISTRIBUTION PROGRAM

Mr. LEVI. Thank you, Mr. Chairman, ladies and gentlemen.

We are located east of Oklahoma City here about 40 miles.

The Citizen Band Potawatomi Program or the Citizen Band Tribe administers three various programs that deal with food and nutrition. One of them is WIC Program with emphasis in women, infants, and children supplemental feeding program.

Another is elderly feeding where we prepare meals onsite and feed the elderly there at the tribal complex. Then we have our Food Distribution Program, our Commodity Food Distribution Program which I administer at the present time, and I am in the process of getting ready to administer the Women, Infants, and Children's Program.

I believe we are going to consolidate the program and I will be administering those programs. I believe we will start that on Monday. But I have been with the Citizens Band Potawatomi Program for over 2 years. I went down and wrote the program for them 2 years ago this past month, and into my third year of being with the program.

The Food Distribution Program that we administer for the Citizen Band Potawatomi encompasses a pretty large area. We have contracted with the Seminole Tribe in Seminole County. They number about 8,000 people. We service just about all of Seminole County and then we serve the southern half of Potawatomi County, and we serve the eastern 7 miles of Oklahoma and Cleveland County, plus we have just recently added the Iowa Tribe, which is in Perkins, OK.

When we first started the program back in 1983, when I first went down to write the program, we had initially projected a participation level of 1,200 people. Since that time, with the addition of the Iowa area, we have increased participation.

Our participation level is now approximately 2,600 people. It fluctuates between 2,500 and 2,600 people. We originally intended to tailgate distribution at Seminole, which would have meant tailgating out of the back of a 2½-ton truck.

The initial trip into Seminole to certify, I think in the month of June 1983, we encountered about 400, 500 people representing the many households waiting to be certified. As it was our first venture into that area, which, needless to say, surprised us and pretty well proved to us that our estimation of the population that we had intended to serve was completely off.

The Seminole Tribe at the present time, there is about 1,500 people that we serve there, of the 2,600 people. They were kind enough to donate a building to us and we have offices there and we have storage facilities there.

At the Shawnee, which is the main distribution site, we have recently completed a new warehouse and moved into it, which the tribe has recognized the need for additional storage and office space.

So right now at Shawnee, we have two 5,000 square foot buildings where we distribute food and use as a central warehouse facilities. At the present itme we are serving approximately seven counties in the State of Oklahoma, which is Potawatomie, Seminole, Cleveland, Oklahoma, Logan, Lincoln, and Payne Counties.

The program has increased significantly since we began. We do work very closely with the State of Oklahoma Department of Human Services Food Stamp Program in new exchange of client data which each county office, if we have some participants that come in and apply, we either give them a telephone call or we have a listing of participants on a monthly basis that we receive from the Department of Human Services.

We, in turn, exchange that information, the information on our client participation with the State of Oklahoma. And some of the things we are attempting to do is we have a pilot project proposed where we are going to link, computer link with the State of Oklahoma Department of Human Services, which would provide immediate access to their client information data, and at the same token for us, to provide our information on a daily basis.

And the dual participation level at the present time is negligible, but there is always the opportunity for some.

Now, as far as the funding levels in the State of Oklahoma, which I would not pretend to speak for all of the food distribution programs that are administered by Indian tribes in the State of Oklahoma, there are approxiamtely 14 in the State and there is 4 others that are considered under the same general service area that are located in the State of New Mexico. There are 18 in all. It is very difficult for me with our particular situation to speak for those people, but, however, I would like to address some of the same problems that I can foresee.

The administrative funding level is at 30 percent based on the amount of foods that we distribute based on the cost that the Department of Agriculture estimates that our food costs are, and then we get 30 percent for administrative costs, and I can see that in some instances where some Indian tribes would tailgate, the expense of tailgating would be a lot more expensive than what we are doing, because we have been able to establish some warehouses and have that food shipped in.

So, it cuts down on the wear and tear and it cuts down on our expenses of having to use the trucks every day for transportation of foods. But, I can see where some people, some of the tribes in the State of Oklahoma have, I know of one tribe in particular that has 39 distribution sites. I believe that a weighted factor should go hand in hand with this over and above the 30 percent allowed for administrative costs.

I could see where it could get very expensive. The equipment cost, the repair and maintenance of these vehicles and the equipment being used would, I would think, in my mind, would far exceed the 30 percent allowed for administrative costs.

Two years ago, when we originally started the program and we estimated at 1,200 people, and I would say before the first month and a half was out, that we exceeded 1,200 people the first month and a half that we were into the program.

We started actual distribution in the latter part July of 1983. By the middle of August, we were in excess of 1,200 people, of the 1,200 people that we had projected. And I think this is—and we based our data for participation, we based our data on information that we were able to derive from the census data and from the Bureau of Indian Affairs and from Indian Health Service as to the number of Indian households and people that lived or resided within the area that we projected to serve.

All we were able to come up with on that formula and the Department of Agriculture's formula was 1,200 people who we would be serving in those areas. And within a short time span, I would say 3 or 4 months, we were approaching 2,000.

So, as a result, we had to go back in for additional funding, and we have been able to project at a more realistic pace. At the present time we have been close to 26 percent off and on over the last 2 months.

A lot of our participation is dependent upon the availability of foods. We have a contract with the State of Oklahoma Department of Human Services to provide or we order, we requisition food through the State of Oklahoma and the availability of food through the State department of human services pretty much has an effect upon our participation level.

I think it has been our experience in the past 2 years that the availability of certain foods, if we have got, say, for instance, only one food item, one meat item, for instance, I know that this has happened in the past, and there is not any blame that can be placed upon anyone that I know of because the program has grown so rapidly in the 2 to 3 years that it has been in existence, but if we have only got one item, one meat item that is available or one particular vegetable item that is available, that our participation level tends to go down.

And this is something that I hope will be corrected in the near future where the growth rate will stabilize and we will be able to provide the choices to those people, and, you know, they do have the choice of whether or not they want to participate with the Commodity Food Distribution Program or they want to participate with the Food Stamp Program.

And we encourage that. If they are dissatisfied with the foods that we are offering to them at the present time, and if we do not have the availability on hand to satisfy the complete nutritional diets of those people, that we do encourage that if they are not satisfied with what we have on hand in inventory, that maybe they should go back to the Food Stamp Program until such time that we can build our inventories back up.

There are some other things that I would like to address. There is a ruling in the legislation that we cannot serve any of the Indian people or any of the people that reside in cities that have a population of over 10,000, and I think that this is a fallacy.

Even though at the present time my program doesn't have any cities in our jurisdiction that exceed 10,000, I think because of the economic conditions at the present time, the high unemployment rates that exist in Indian country, you know, we called the State unemployment office yesterday and asked them what their unemployment rate was for that particular area that we are serving, and they indicated to us that it is 7.9 percent.

And we called a number of the Indian programs that administer the Joint Training Partnership Act and asked them what they estimated the unemployment rate was for the Indian population in the areas that we are serving, and they estimated 25 percent.

So, you know, if the difference in the unemployment rate between the general population and the American Indian or the Native American is that great, we feel that the opportunity should be given to those people that reside in cities of 10,000 or more population, they should be given the opportunity, also, to have the same freedom of choice that those individuals that live in a rural area.

Now, our formal reservation area extends to the north Canadian area which, we are just about a mile out of the city of Shawnee.

The city of Shawnee is about 20,000 people. There is another tribe that has a joint boundary line with us which is the Sac and Fox.

There is another tribe to the west, the Kickapoo, that shares a joint boundary with the Sac and Fox Tribe. Both of those tribes would normally serve the city of Shawnee.

There is a number of Indian people that reside within the city of Shawnee that live in Indian homes, that live on trust and, per se, that the housing authorities have built houses within the city of Shawnee that haven't at this point been able to receive or have the opportunity to make the choice between food stamps and the Commodity Food Distribution Program.

And I think it is something that needs to be addressed at some point in the near future is whether or not we would give those Native Americans that reside in cities that have 10,000 or more the opportunity to have the choice, and I think it is only fair to them to have that choice, whether or not they want to receive food—the commodity foods, the donated foods or the food stamps.

Of the programs that we administer that deal with food and nutrition, we feel that each and every one of the programs fulfill a vital need as far as supplying the nutritional needs of those Indians in the population that we are serving, and we appreciate the opportunity that has been given us today to participate in this hearing.

[The prepared statement of Mr. Levi appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you.

Mr. **Levi**. I'll be willing to answer any questions after this.

Mr. **Panetta**. Thank you very much.

Mr. Roscher, if you would proceed.

STATEMENT OF ELDEN G. ROSCHER, EXECUTIVE DIRECTOR, OKLAHOMA RETAIL GROCERS ASSOCIATION

Mr. **Roscher**. Thank you, Chairman Panetta and other guests.

My name is Elden Roscher. I am executive director of the Oklahoma Retail Grocers Association. We represent approximately

1,500 independent retail grocers throughout the State of Oklahoma in all 77 counties.

Speaking on behalf of the things that affect our members in the retail grocers, we have two specific areas that we would like to call to your attention and then be glad to discuss this with you if you have any questions.

Incidentally, our views are shared by both of our national associations, National Grocers Association and Food Marketing Institute. And it is my understanding that there is current language in H.R. 5151 which would prohibit banks from charging retailers for handling food stamps.

This has not been a specific problem in the State of Oklahoma. I think there are some banks in Oklahoma that are charging retailers for food stamps. Throughout the United States in some areas this is a common practice, and it seems to be getting more and more widespread.

But we feel that the current language in there that we are very supportive of, and that would require the retailers to bundle in denominations foods stamps presented to the banks and that there would be no charge from the banks.

These are two groups that you might call middle people between the Government program of food stamps and the recipients of those. For the banks to place a charge, it is my understanding that if all food stamps had a bank charge similar to what is happening in some areas, that this would be in excess of $156 million per year, and that does nothing but pass on and lessen the value of what is given to the people that receive these food stamps, because that has to be absorbed somewhere.

The second thing that we would like to address is the USDA proposal of a license fee for retailers. This is something that it is my understanding that is just being talked about. It is not in any specific legislation as of now, but we feel like this penalizes our retailer who is acting as the middleman between the Federal Government and providing food for the Nation's poor.

The current fee talked about is a $50 license fee and we do not feel that this $50 would detour the disreputable and dishonest people and would only serve as a tax to those that are providing this service, by the small business people that are providing this service, and certainly $50 is a small price to pay for somebody that would want to defraud the Government. They would be willing to pay the $50 for the privilege of illegally handling these food stamps and things.

Let me say further, that when you get something like this license proposal, it just doesn't stop there. It is very similar to the tobacco license and things of that nature. They seem to grow and escalate, and the USDA is always going to be looking for revenue to provide for their administrative cost. We feel like this is just another vehicle that would be used in that aspect.

Mr. PANETTA. Thank you. Appreciate your testimony.

[The prepared statement of Mr. Roscher appears at the conclusion of the hearing.]

Mr. PANETTA. Mr. Levi, in the administration of commodities distribution programs, there was some concern indicated earlier today about the nutritional impact of that, because, what was it, diabetes, I think, that a high diet of carbohydrates is of concern? Have you found that to be the case?

Mr. LEVI. Yes; and this is one of the things that we have recognized and is one of the things that we would like to be able to do is to be in contact with some of the nutritional or nutritionists in the area and see if we can develop some advice.

When the program first began, we had access to nutritionists on staff to develop some diets for those people that do have or are afflicted with high blood pressure or diabetes or some type of a problem that has to do with food and diets, and this is something that we plan to do in the near future, is to enlist all the help that we can get to address these particular problems, heart problems, and all the various problems that the Native Americans are afflicted with.

Mr. PANETTA. I guess the question is, what, if there is only so many commodities available and it is always the same, it is either cheese or butter or what-have-you, how can you break into that?

Mr. LEVI. It is pretty difficult, if we don't have the availability of choice.

We have on the listing available to us around 46 different items. At any given time because of whatever, the ordering procedures or because of such a rapid growth since the program began we were like one of the three programs that began in the State of Oklahoma.

Because of such a rapid growth, we have not been able to maintain the stocks that we feel are needed. And in order to have a variety in their diets, these people you are going back to, say, one thing that has happened to us is having, these people having to eat meatball stew two or three times a week.

But I think that the department of human services here in the State of Oklahoma, who orders and delivers our food to us, has done as good a job as can be expected. But somewhere in the ordering process, there has been a breakdown of communication.

Mr. PANETTA. How much choice do you get on the commodities that you receive for your particular program?

Mr. LEVI. For instance, the meat items that we have available to us, we have beef, we have pork, we did at one time have chicken, tuna, salmon, and meatball stew.

We had that type of a choice. At any given time, it has been our experience over the past 2 years that two or as many as three to four of those items that are not available to us, and the same way with vegetables.

We have a choice of vegetables, green beans, canned vegetables, green beans, cream corn, corn, peas, and at any given time during the course of the year, a lot of those items are not available to us.

Because of the way our funding is structured, I think this hurts us an awful lot. It does hurt us an awful lot, because our participation level seems to decline when we don't have the availability.

Another thing that does happen is an item that is very popular—if we are out of that item, and this has happened just not too long ago, was like, for instance, something that was real popular that had not been available for 6 months, and we got it back, and those people come in and got it by the cases.

What it has done, it has forced them to hoard things. They have gotten used to something and then we have taken it away from them for a period of time and then we have gotten it back and they come in there and load up. And, as a result, our ordering is off. It is not consistent.

Mr. PANETTA. How often do you distribute food a week?

Mr. LEVI. Say, for instance, this week we are distributing every day.

Mr. PANETTA. Every day?

Mr. LEVI. Every day, this week. We have gotten that big. We are at 2,600 people at the present time.

Mr. PANETTA. But do you limit how much one person can receive?

Mr. LEVI. Yes; it is on an average, it is about 70 pounds of food per individual per month.

Mr. PANETTA. Seventy pounds?

Mr. LEVI. Seventy pounds.

Mr. PANETTA. Per individual per month?

Mr. LEVI. It is just about all the food that an individual could need to subsist on with the exception of fresh fruits and vegetables, fresh eggs, baking powder, or something like that. We offer flour, shortening, and a various number of things.

Mr. PANETTA. Do you find that the ones who are on food stamps, is there an increased load that you are finding at the end of the month?

Mr. LEVI. It depends upon the situation of that individual's household. If a person would benefit more from food stamps, that is the way they generally go.

But if they would benefit more, if they are a small household, for instance, maybe two people in a household, they probably would benefit more from getting food from us, because they would have more food.

Or, if it is a larger household, say, 8 or 9 or 10 people in a household, they would probably benefit more by going to food stamps. But then, they have the option of switching between programs. The only requirement is that they cannot draw food stamps and the commodity program during the same month.

Mr. PANETTA. They have to make a choice?

Mr. LEVI. They have to make a choice.

Mr. FERSH. Do you have people who come in to you for help who have been on food stamps during the month and maybe have run out?

Mr. LEVI. The way the situation is, and I mentioned this earlier, we have a pretty close working relationship with the department of human services of the State of Oklahoma who administers the Food Stamp Program.

We have worked out a system, in that, if someone comes to us that has been receiving food stamps, and would like to get on our program but they have already received food stamps for that month, they would like to get food in and because of the regulations as they are structured, they cannot receive food from us for that particular month, but they are eligible for the next month.

One of the requirements that we ask, we call their caseworkers, but we ask that they get a written statement from the department of human services, bring it to us, showing that their food stamp case has been discontinued for that particular month and we in the same token, give that same type of information back to the State.

A written statement saying this person no longer desires to participate in the Commodity Food Distribution Program that we administer as of that date, and the ending day of that month. Then they are eligible for food stamps.

Mr. FERSH. So it would be the next month?

Mr. LEVI. Yes, it would be the next month.

Mr. FERSH. You have just established your program in the last 2 years?

Mr. LEVI. Yes, we have been going for 2 years.

Mr. FERSH. So everyone who is now getting commodities through you used to get food stamps?

Mr. LEVI. Theoretically.

Mr. FERSH. Was the creation of your program a response to an increased hunger problem that you were experiencing?

Mr. LEVI. That is what the feeling is, and it is a feeling of a lot of the tribal leaders who I have dealt with, is that a lot of the Indian people were not utilizing the Food Stamp Program. Now, for what reason, I don't have any idea.

Mr. PANETTA. Mr. Roscher, do you know if the retail grocers have a position on the issue of taxing the food that is sold with food stamps or provided with food stamps?

There is some legislation being proposed in Washington to basically have the States, in effect, give that money back to the Federal Government on the argument that food stamps should not be taxed, it is a Federal benefit, and therefore, it ought not to be taxed like other food products.

Do you have a position on that?

Mr. ROSCHER. No, sir, we don't, not as retailers, because actually all we do is collect the tax and we are going to let the States and the Government fight over which ones get it.

We are the collector, and there are so many other concerns that we just feel like that is something that they have to work out.

Mr. PANETTA. On this issue of the banks that were charging retailers for the handling of food stamps, what is that situation like here in Oklahoma?

Mr. ROSCHER. It is my understanding that there are some banks in the Tulsa area that are doing this. It is like anything else, you find out one participant of a program is doing something, whether it be a recipient or a bank or somebody administering, and you think, well, I can get by with the same thing.

And, certainly they have a cost of doing business as does any retailer, and retailers do make a profit by handling the food stamps on the items that are sold.

But, as I said, we feel like we are the middleman and why should we pay the banks because this in essence is providing jobs, enlarging, enabling people to have larger stores, in essence, doing business with our bank, and we are providing this service and collecting for the Government, and it is something that the retailer isn't reimbursed, so if the banks continue to charge, it is going to be an additional charge to that retailer of his cost of doing business.

In essence, it is going on to the consumer and both the recipients and the people not in the program are going to be, in essence, paying for it.

And we feel like this proposal where the banks are not allowed to charge but the retailers will denominate and put them in an orderly manner to make it very easy for the banks to handle, that then both people are participating and doing their part and at no charge to anyone.

Mr. **Fersh**. It came up earlier in the hearing the fact that sometimes the Food Stamp Program suffers from an image problem from what individual recipients purchase.

In your long experience working with the retailers, is it your sense that the retailers believe there is a continuing and large-scale problem in terms of the purchase of either illegal or luxury items by food stamp recipients or is that sort of an exception to the rule in terms of the way food stamp shoppers operate?

Mr. **Roscher**. Obviously, I think it is an exception to the rule, but there is still a lot of it going on, and whether it is an exception or not, it sort of gives a black eye to any program where there is abuse of it.

And I know that even in the licensings that is obviously going to involve getting people in it and make them more honest or more aware by having to pay a fee, but there is a lot of that still going on, of people buying a luxury item and finding ways when you drop the change, where you can now give change on anything under $1.

Why, so many people have it figured out if they want to get some tobacco or something, they come in and get enough and they have enough change to go in and buy some of the items they want.

Those who want to are going to finagle and work around that and it is still a lot, but it is a small exception to the rule, but it still does give it a black eye, and I am sure as long as there is a program of this nature and any other nature, there is going to be some abuse of it and that black eye will exist. I don't know how to cure it 100 percent.

Mr. **Panetta**. Thank you both very much. Appreciate your coming and testifying and giving us the benefit of your experience.

The next panel is Oklahoma statewide perspective from Max Glenn, who is director of the Oklahoma Conference of Churches; Sandra Ingraham, who is an author and social services researcher on poverty and hunger in Oklahoma; and Mary McQuaid, who is executive director of the Oklahoma Anti-Hunger Project.

Welcome to the subcommittee.

I appreciate your taking time to come here and to give us the benefit of your thoughts.

We will start off with Reverend Glenn.

STATEMENT OF MAX E. GLENN, EXECUTIVE DIRECTOR, OKLAHOMA CONFERENCE OF CHURCHES

Reverend **Glenn**. Thank you, Mr. Chairman.

My name is Max Eugene Glenn. For the past 5 years I have been executive director of the Oklahoma Conference of Churches, which is the statewide ecumenical body in Oklahoma, composed of Protestant, Catholic, and Orthodox religious bodies.

We have given a high priority to monitoring and profiling hunger and poverty in Oklahoma, so I will share with you in my presentation the summary of our findings in a recent study just released in January 1985. I will not read my full written testimony so we can give plenty of time for questions with the author of this study and so on.

But I was reminded as I sat down to write this testimony that it takes me back two and a half decades. As a farm boy from Oklahoma, I received a phone call from the White House when I worked in Appalachia, asking me to be 1 of 16 people to prepare recommendations for a White House Conference on Hunger and Malnutrition.

Going to Washington at least two or three times a month for 6 months to prepare those recommendations, I soon discovered that this was such a political football, even the name of the conference, and my friend, Dr. Gene Mier, was doing battle on many fronts, and it was watered down to the point of a major White House Conference on Hunger and Malnutrition was renamed to a White House Conference on Food, Nutrition, and Health.

And, so, in my naive day, I had a great deal of excitement and felt a real challenge to participate in that process. But then I soon discovered that the commitment that was shared with me from the White House and Congress to eliminate hunger and poverty in these United States was really a political ploy and there was not substance to that.

I was very familiar and had worked closely with the Field Foundation and Dr. Robert Coles from Harvard in their studies, and I was quite familiar with the studies of Hunger USA and the physicians making the reports.

I was not surprised or shocked in those studies because we were seeing that kind of condition daily in our work in Appalachia. What did shock me was to find the lack of will to really deal with these problems, and I am aware that physicians have revisited those places. I am sure they have probably testified before your subcommittee already and they have found the conditions as bad or worse than they were then.

And, so, our testimony today will share with you that in our 4 years of monitoring and profiling hunger and poverty in Oklahoma, the conditions here are worse now than they were when we first began 4 years ago, and so, we are happy to share this information.

Let me simply ask you to turn to page 4 of this testimony, and I will share the summary of the major findings. No matter how poverty is measured, the number of poor in Oklahoma is increasing.

As of the last census, 1 in every 10 Oklahoma families lived below poverty while almost 1 in 5 Indian and 1 in 4 black families do. If the black or Indian family is headed by a woman and has children, over half live in poverty.

One in seven Oklahoma children is poor. But the number jumps to 1 in 4 Indian children and 1 in 3 black children. One in five older Oklahomans live below poverty and 1 in 4 of those both female and old are poor. Poverty has skyrocketed in Oklahoma since the 1980 census.

Our adjusted estimates of Oklahoma poverty count more than half a million people living in poverty, almost a 30-percent increase since the 1980 census was taken.

The Federal budget changes have reduced grants to Oklahoma and State citizens nearly $1 billion since 1981, more than $300 per State resident. The State's share of the cost of poverty programs has sharply increased since 1981.

Reductions in benefit programs for individuals are the greatest for households with incomes of less than $10,000. Because of the inflation, benefit reductions, and increased taxes, extremely large increases in earnings were required for poverty families to keep them from falling deeper into poverty.

In 1983, Oklahoma had the lowest number of people and cases on public aid since the aid programs began in 1937.

The real tragedy is that the overwhelming majority of needy Oklahomans are unserved by most of Oklahoma's poverty programs, and you will see in the back of the study county by county how the percentage of need is being met.

In spite of restricted eligibility, participation in poverty programs is up due to the radical increase in the number of poor.

The Oklahoma Conference of Churches supports the work of church and other agencies in alleviating poverty and hunger, and urges increased support for them.

However, the problem is far too massive for private agencies alone. The resources that local, State, and Federal governments command must also continue to be used if the basic necessities of life are to be assured to all of our citizens.

Emergency aid is not enough. We also need to think in terms of long-range strategies that deal with the causes of poverty and hunger.

A previous study on hunger and malnutrition, a year-long effort on our part in 1982–83, we did a survey of local churches and the findings of that is attached. I will not take the time now to detail that, only to say that after projecting what churches were providing in terms of emergency food, if, with over two-thirds of the churches with food closets, if we were to accept the responsibility with the religious sector for the hunger programs as has been suggested by the current administration, each of the 4,500 congregations and parishes in Oklahoma would have to come up with $20,000 per congregation to meet those needs, and, of course, that is ridiculous.

But the religious community is doing a great deal, as this shows. We need to do more. And we are working at it.

I also share with you a project that we have been working on where the religious community through the ecumenical agency of the Oklahoma Conference of Churches brings together at the community level representatives of churches and social and human service agencies.

In our work the last 3 years in more than 60 communities, we have discovered some ways of bringing the private and public sector together to address the needs of the community, and we feel this is rather exciting.

As the institutional systems of human services have replaced the community caring relationships and patterns, the aged, the poor, and the disabled have oftentimes been lost between the two systems, particularly in rural areas where the informal caring system has met needs.

And now with the growth of institutional services being slowed, the informal caring systems in the communities must be strengthened, and so, we are working at this and I just share a little of that.

In my prepared statement on page 7, let me close by lifting up the recommendations that we have made. On January 3 and 4, 1985, we brought together a panel of experts, including agency persons responsible for various food and poverty programs, private sector persons providing emergency services, and representatives of the religious community to analyze the data in the study which we are submitting to you.

After looking at this for 2 days, they came up with these priority recommendations at the legislative level: that the Aid to Families With Dependent Children [AFDC] should be supported at 100-percent of the poverty level rather than at the current 65-percent level; that AFDC benefits should be extended to two-parent families who are in need because of unemployment; that funding should be maintained or increased for State operated programs which address the poverty needs of our citizens.

We also have a couple of recommendations for the private sector and we also call upon the religious community to continue and to increase its efforts.

I appreciate this opportunity to share this major research with your subcommittee and am happy to introduce Ms. Sandy Ingraham, the author of this study, to make further detailed comments and be available for questions.

[The prepared statement of Reverend Glenn appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much.

Ms. Ingraham.

STATEMENT OF SANDY J. INGRAHAM, SOCIAL SERVICES AND LEGISLATIVE CONSULTANT, HARRAH, OK

Ms. **Ingraham**. Thank you. I apologize for not having written testimony. I sort of flew in a car back from Tulsa, and I appreciate being squeezed in here.

Mr. **Panetta**. That is all right. You can wing it. We do that all the time.

Ms. **Ingraham**. Let me say first of all that when I was in Tulsa, I was hearing some talk of people who were very excited you were here.

We at the Conference of Churches through the poverty efforts have made attempts to make sure we looked statewide. They sent back with me some extra data about Tulsa that I would like to include for your record.

Mostly what this shows, this talks about unemployment and food stamps use and AFDC and those sort of efforts about the Tulsa, eastern part of the State, and it shows what we found repeated both over the Nation and the State in terms of a continuing worsening of the problem and a more difficult time people were having getting services or increases in demand for services of both private and public agencies, and this just shows once again the continuing problem.

For example, the unemployment in Tulsa is at a very high point.

The so-called recession may be lessening elsewhere, but it is not here, and Tulsa is one of the more economically advantaged parts of the State, so I just kind of for your information give you that.

When we looked at the State and looked at the situation, tried to determine what was going on since the 1981 census essentially, we relied on some of the census projections and changes in poverty going nationwide, and we interviewed—Mary McQuaid assisted with some of the interviews—all the agencies dealing with poverty programs, some of the food closets dealing with people on a regular basis and the State data center, folks who had a good sense of what was going on.

They concurred with our tentative conclusions that things were in fact worse here or worsening here at a worser level, if I can use poor English, than in other parts of the Nation, that it was not getting better. We were having, for example, a large influx of people.

We have increased our population, statewide, by 9 percent since 1981. We are talking about both people coming in with industry and people coming in just completely poor and looking for jobs. So we are getting both ends of the income spectrum just in the influx.

So, we have about a 30-percent larger poverty population now than we did when we measured it in the census year, 1979-80, and that is a significant number. That is half a million people needing some kinds of services.

We tried to determine what the problem was, what was causing poverty. Do you have a copy of the poverty report?

Mr. PANETTA. Yes.

Ms. INGRAHAM. I might just have you flip over to page 7 for a second. I apologize, the screens didn't come out real well on the maps, but the dark counties on that map, that State map of Oklahoma, are the worst 10 counties in each of the poverty areas. That's what I wanted to kind of draw your attention to.

If you look at poverty rate among the general population in the study, you will see it is kind of centered in the southeastern part of the State. We have high unemployment, a large, very long-term consistent problem with poverty in that part of the State.

But look at the second map. For example, if you look at poverty among the nonwhite population, you look, it flips kind of over to western Oklahoma, poverty discriminates against minority populations, and our State is in a completely different area indicating a completely different type of problem.

One of the more interesting statistics or pieces of, what should I call it, an unfavorable trend, I think, as reflected in the last map, and that is the whole idea of the feminization poverty, it is just incredible. If you look at the counties where poverty hits hardest, women with preschoolers, single women heads of households, the poverty, it scatters all over the State.

You start seeing the problem occurring in northern Oklahoma, which is typically a wealthier part of our State, and it is a different kind of problem, and it suggests a different kind of approach.

Also, another real significant factor about the feminization poverty is that you look at the poverty rate in the general population, it is 13.4 percent. Those 10 worst counties are like 35-percent poverty.

The poverty rate among the female headed households with preschoolers is about 53 percent and the 10 worst counties are over 75 percent. So three-quarters of the families that are headed by women with preschoolers in those counties live in poverty. Those are staggering numbers. So, we have that kind of thing going on.

We have a variety of reasons for the underserved poverty population in our State. It varies by program. Max has made some general comments about the majority of the poverty programs not reaching the people who we feel like probably need them. What we have is a lot of different reasons for each program.

WIC, for example, Women, Infants and Children Feeding Program, is limited by dollars. Sheer economics. If we stretch all the dollars we get in the State, we only serve about one-third of the people.

The Food Stamp Program, if you look at any given month, it serves about 36, 37 percent of all the people that live below poverty. That is a result of, I think, in a large part, some of our own pioneer spirit here where we don't like to admit and identify ourselves as being poor.

The School Lunch Program, for example, has a much better use. We don't identify a child as being poor when they go through the School Lunch Program. They go through the line, the cafeteria line just like everybody else, but it is kind of obvious when you are carrying a food stamp into a grocery store, so it is a self-identification of being a member from the poverty population.

So, you have that kind of problem along with the dollar constraints, eligibility problems, AFDC only having, only being able to have a single parent family qualified for AFDC. There are two parent families in the State that need help in order to keep their families together that we wish we did have here and hopefully will soon.

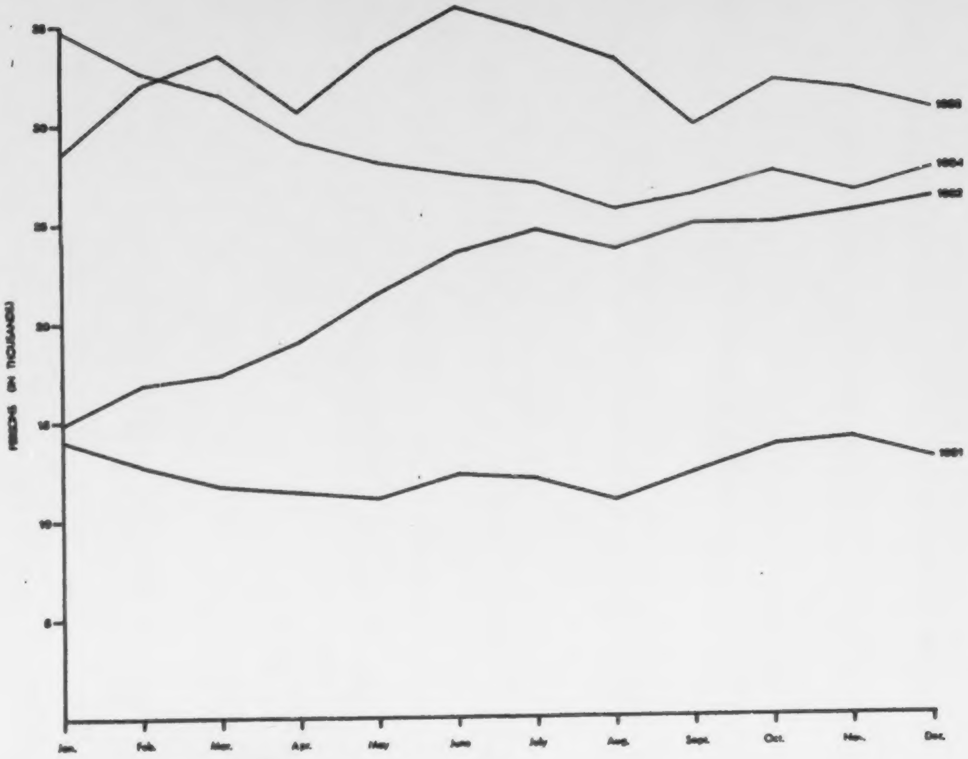
Block grants in the State have been devastating. I have monitored for several years the efforts in the block grants, and I would encourage you if you take nothing else from this testimony, please take a strong urge not to block grant food programs.

It is just a way in my mind of cutting and the program loses its identity, and doesn't serve nearly as many people and gets reduced dollars, and it is just an awful way to treat poor people.

I would be glad to answer questions now or after Mary.

[The charts and graphs follow:]

UNEMPLOYMENT IN THE TULSA SMSA



Source: Oklahoma Employment Security Commission

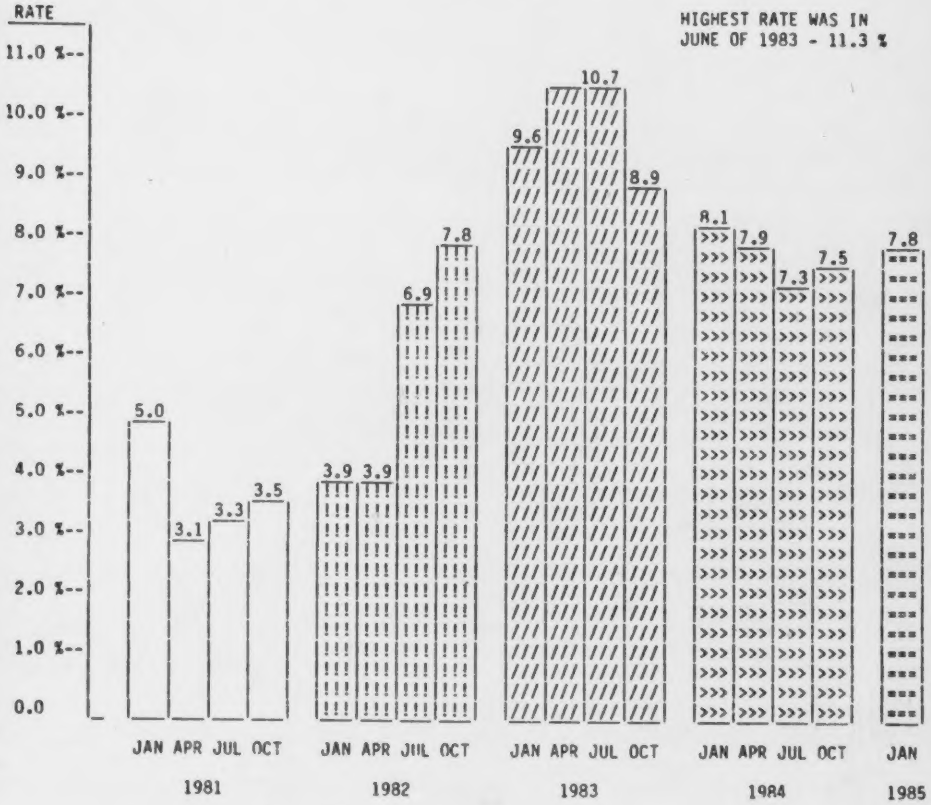
Prepared By: Community Service Council of Greater Tulsa, inc

A Product Of: Metropolitan Human Services Commission

RT-029/08
HSC 03.19.85
NVIRONMENTAL SCAN

UNEMPLOYMENT RATE

TULSA COUNTY

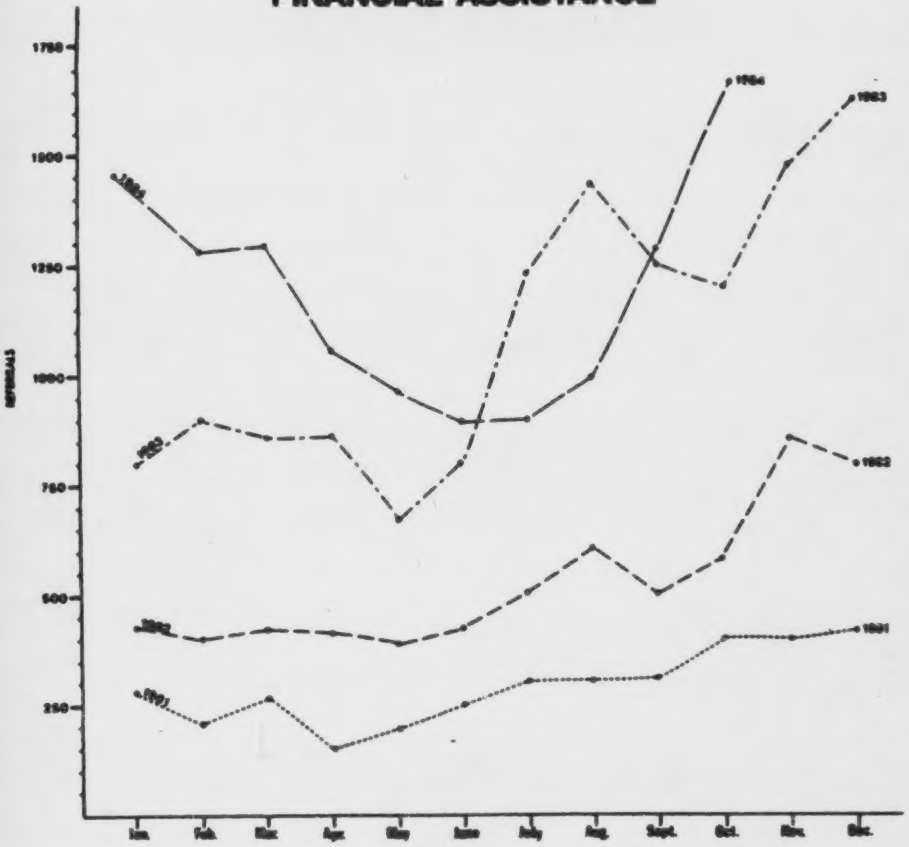


HIGHEST RATE WAS IN
JUNE OF 1983 - 11.3 %

SOURCE: OKLAHOMA EMPLOYMENT SECURITY COMMISSION.

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, MARCH, 1985.

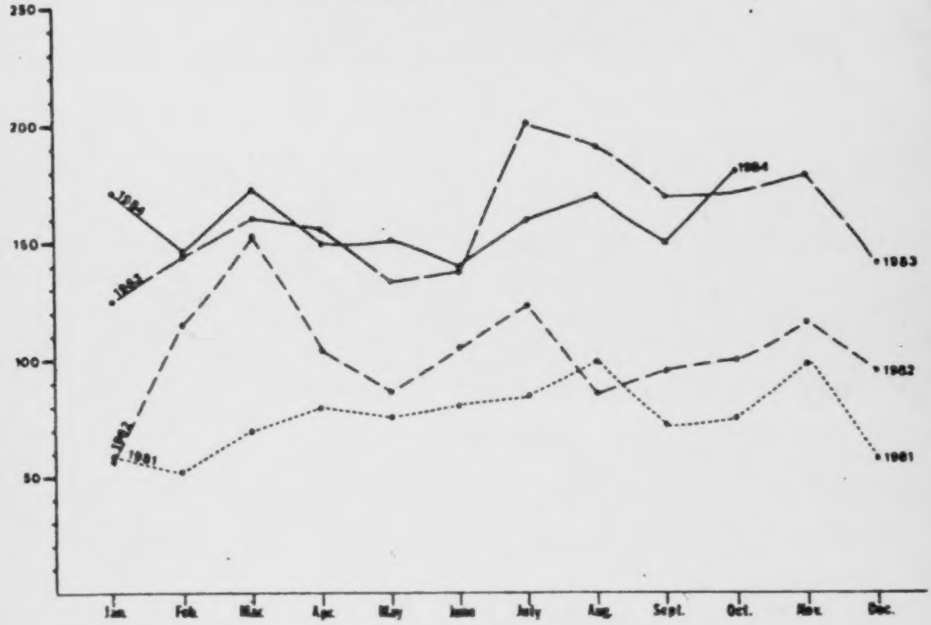
HELPLINE REFERRALS FOR FINANCIAL ASSISTANCE



	1981	1982	1983	1984
January	279	439	804	1454
February	216	409	903	1276
March	263	431	866	1297
April	154	424	873	1064
May	201	391	686	973
June	252	437	812	902
July	313	514	1233	912
August	312	625	1438	998
September	322	507	1254	1295
October	415	593	1203	1707
November	418	876	1473	
December	425	801	1633	
TOTAL	3,570	6,447	13,178	11,878 (Jan. - Oct.)

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA

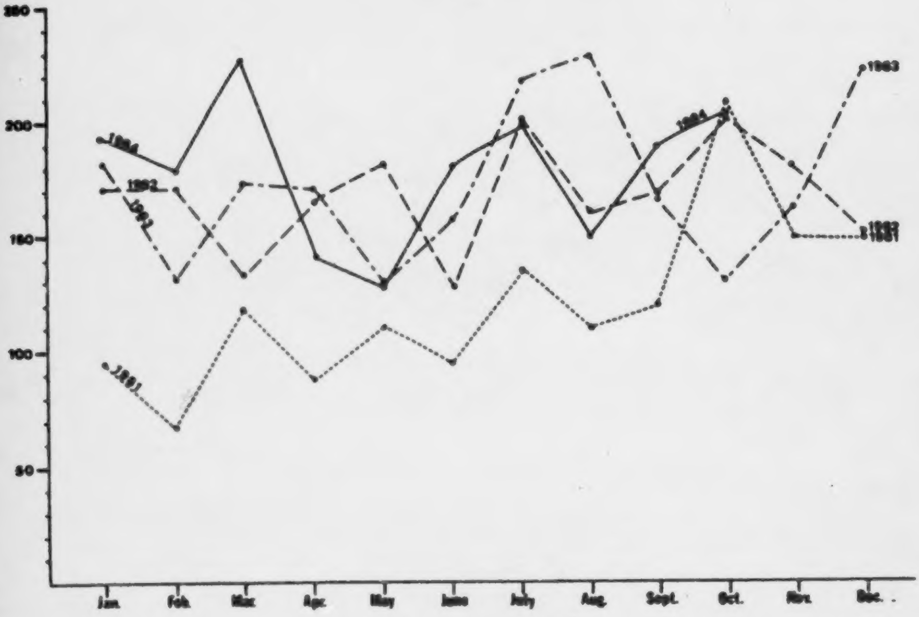
HELPLINE REFERRALS FOR PHYSICAL HEALTH



	1981	1982	1983	1984
January	59	58	125	172
February	53	115	144	146
March	70	153	162	173
April	80	104	156	150
May	76	86	134	151
June	81	105	138	140
July	84	123	202	159
August	98	86	191	170
September	73	95	169	150
October	76	100	171	181
November	97	116	179	
December	58	95	142	
TOTAL	905	1,236	1,913	1,592 (Jan. - Oct.)

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA.

HELPLINE REFERRALS FOR SHELTER



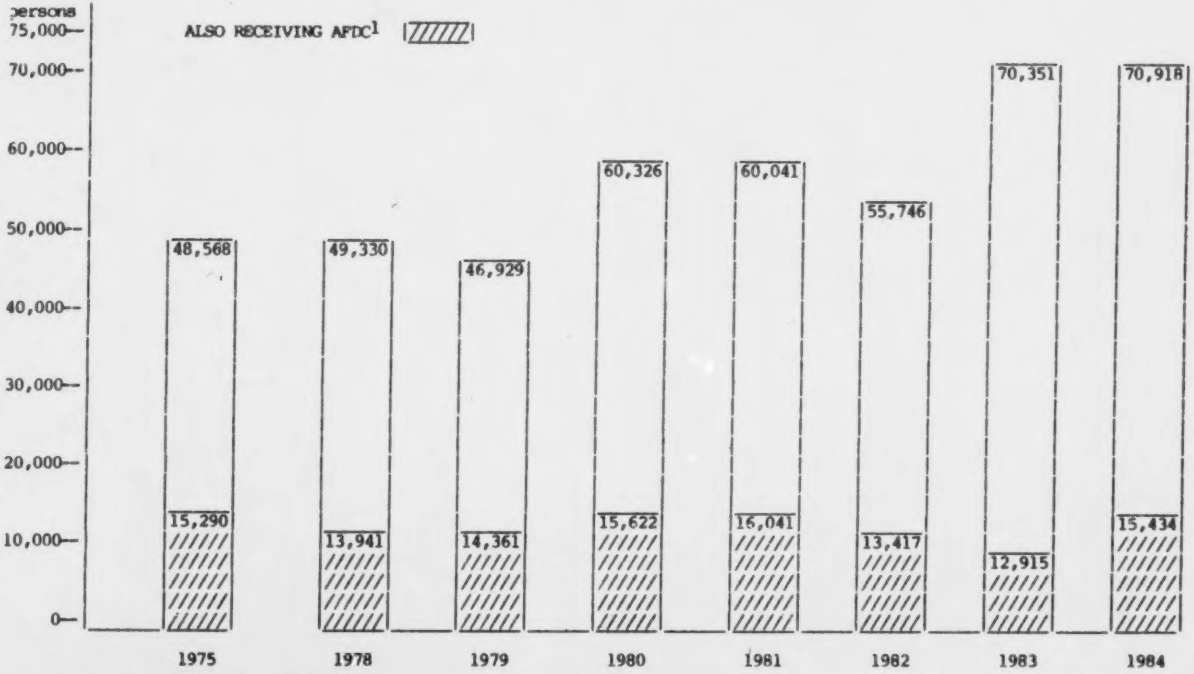
	1981	1982	1983	1984
January	95	171	183	193
February	68	171	133	177
March	119	136	174	227
April	89	167	171	141
May	110	183	129	126
June	96	128	157	180
July	135	203	218	202
August	110	162	227	149
September	120	169	163	189
October	209	200	133	202
November	147	182	163	
December	146	150	222	
TOTAL	1,444	2,022	2,073	1,786 (Jan. - Oct.)

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA

ART-029/02
MHSC 03.22.85
ENVIRONMENTAL SCAN

PERSONS RECEIVING FOOD STAMPS

TULSA COUNTY



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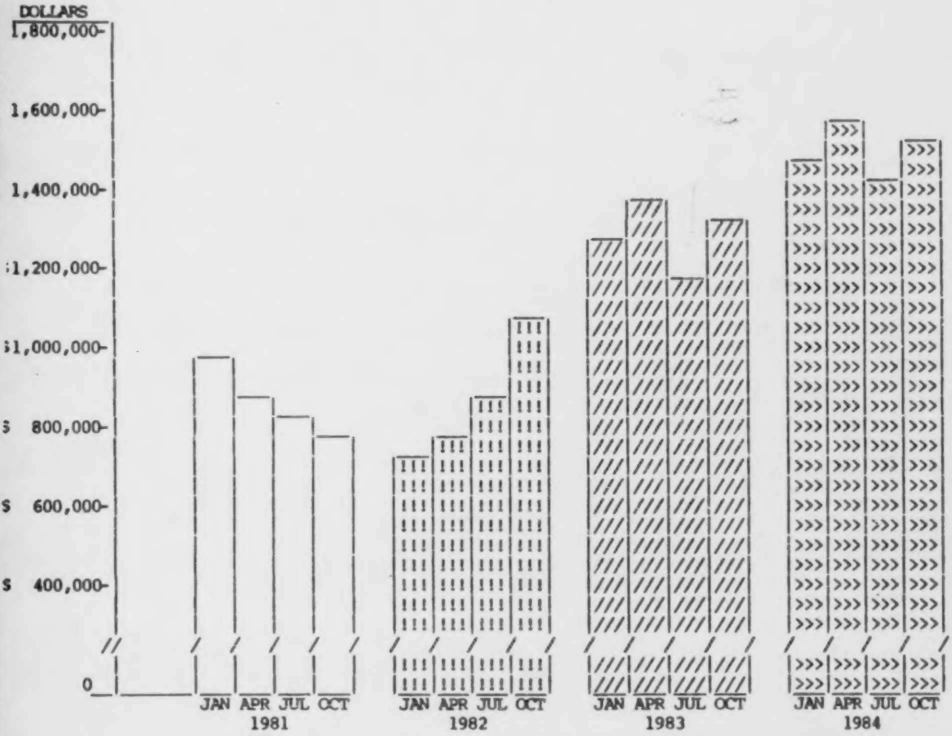
[1] aid to families with dependent children (AFDC)

SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, ANNUAL REPORTS
PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, MARCH, 1985.

T-029/02
ISC 12.14.84
VIRONMENTAL SCAN

VALUE OF FOOD STAMPS DISTRIBUTED
TULSA COUNTY

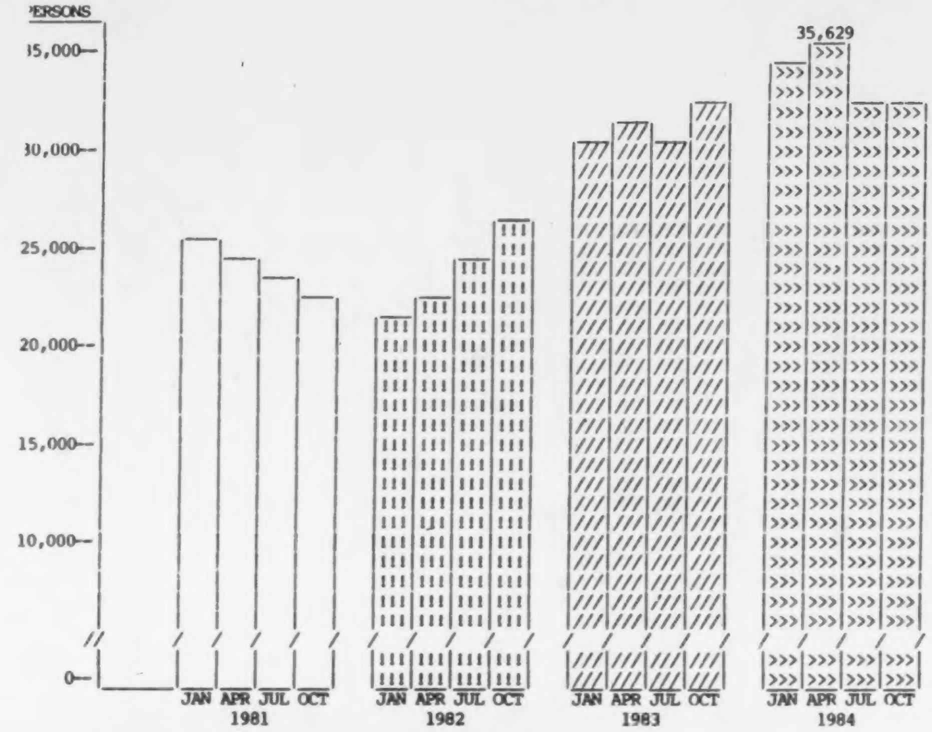


SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, STATISTICAL BULLETINS

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, DECEMBER, 1984.

RT-029/02
HSC 12.14.84
NVIRONMENTAL SCAN

PERSONS RECEIVING FOOD STAMPS
TULSA COUNTY



SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, STATISTICAL BULLETINS
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, DECEMBER, 1984.

DATA ABOUT THOSE RECEIVING FOOD STAMPS
TULSA COUNTY

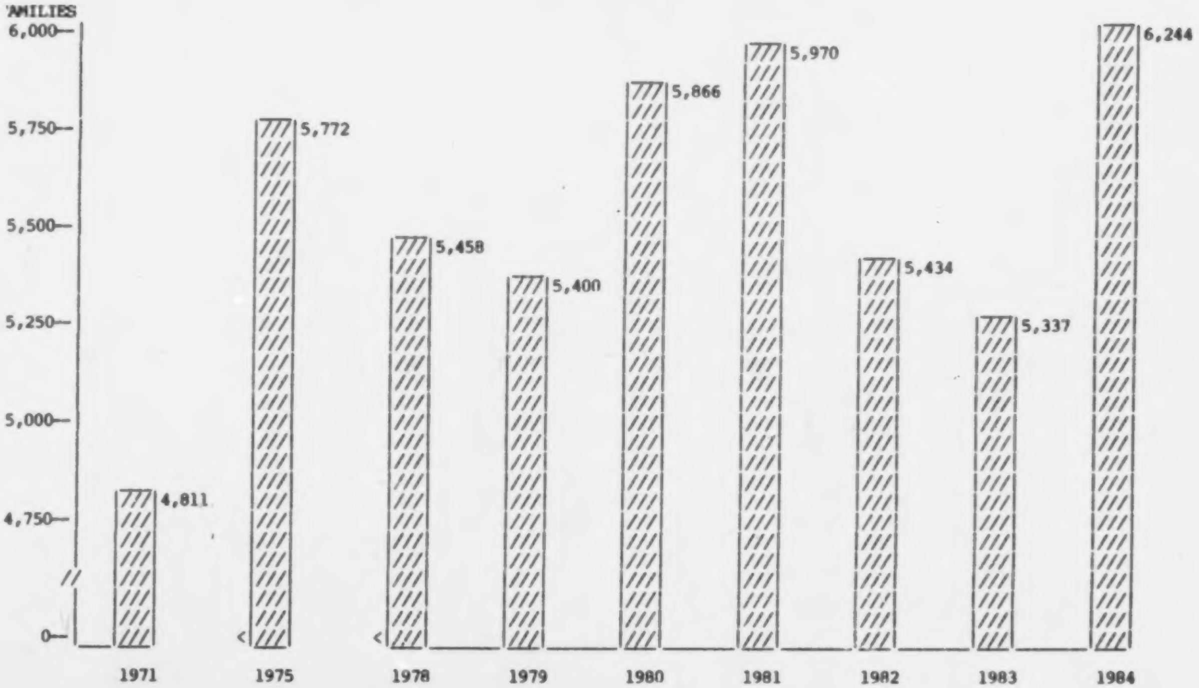
	JANUARY	APRIL	JULY	OCTOBER	FOUR MONTH TOTAL	MONTHLY AVERAGE
1981						
PERSONS	25,585	24,181	22,900	21,764	94,430	23,607
CASES	10,246	9,755	9,309	8,710	38,020	9,505
PERSONS/CASE	2.50	2.48	2.46	2.50		2.48
VALUE	$ 991,456	$ 912,187	$ 852,494	$ 763,580	$ 3,519,717	$ 879,929.25
$/PERSON	$ 38.75	$ 37.72	$ 37.23	$ 35.08		$ 37.27
1982						
PERSONS	21,520	22,007	24,275	26,779	94,581	23,645
CASES	8,647	8,862	9,579	10,280	37,368	37,372
PERSONS/CASE	2.49	2.48	2.53	2.60		2.53
VALUE	$ 747,272	$ 776,161	$ 864,156	$ 1,084.181	$ 3,471,770	$ 867,942.50
$/PERSON	$ 34.72	$ 35.27	$ 35.60	$ 40.49		$ 36.71
1983						
PERSONS	30,794	32,795	30,983	32,019	126,591	31,647.75
CASES	11,594	12,331	11,645	12,195	47,765	11,941.25
PERSONS/CASE	2.66	2.66	2.66	2.63		2.65
VALUE	$ 1,268,619	$ 1,372,728	$ 1,287,971	$ 1,350,679	$ 5,279,997	$ 1,319,999.25
$/PERSON	$ 41.20	$ 41.86	$ 41.57	$ 42.18		$ 41.71
1984						
PERSONS	34,670	35,629	33,263	33,146	136,708	34,177
CASES	13,083	13,511	12,819	12,835	52,248	13,062
PERSONS/CASE	2.65	2.64	2.59	2.58		2.62
VALUE	$ 1,487,275	$ 1,584,269	$ 1,453,948	$ 1,543,287	$ 6,068,779	$ 1,517,194.75
$/PERSON	$ 42.90	$ 44.61	$ 43.71	$ 46.56		$ 44.39

SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, STATISTICAL BULLETINS

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, DECEMBER, 1984.

RT-029/01
HSC 05.01.84
NVIRONMENTAL SCAN

CASES (FAMILIES) RECEIVING AID TO FAMILES WITH DEPENDENT CHILDREN TULSA COUNTY



SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, ANNUAL REPORTS
PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, MARCH, 1985.

029/01
12.14.84
RONMENTAL SCAN

PERSONS BENEFITING FROM
AID TO FAMILIES WITH DEPENDENT CHILDREN
TULSA COUNTY

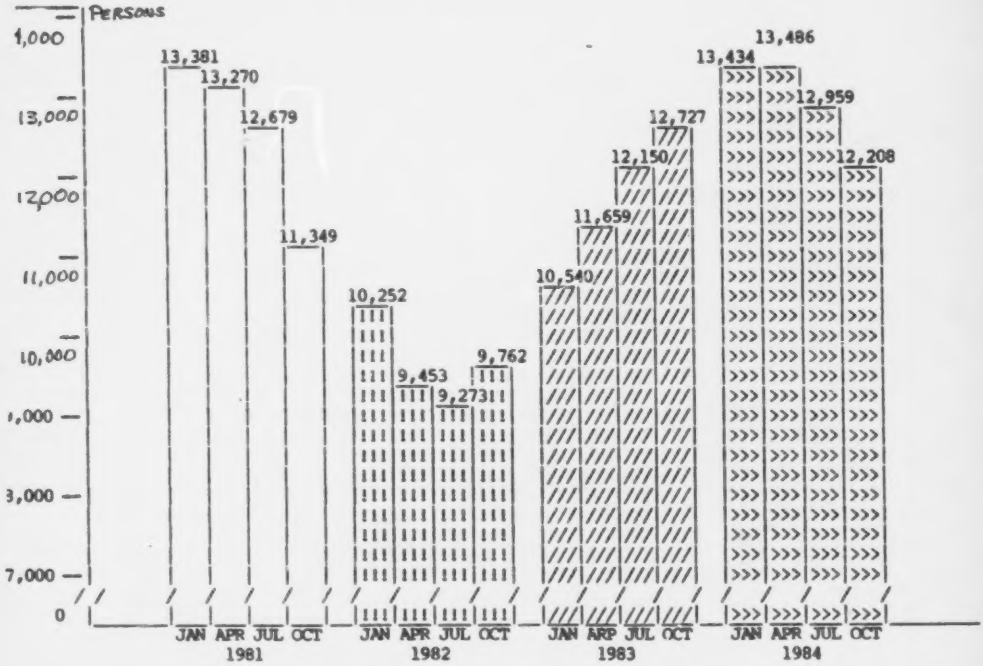
	JANUARY	APRIL	JULY	OCTOBER	TOTAL	MONTHLY AVERAGE
981						
PERSONS	13,381	13,270	12,679	11,349		
Children	9,792	9,653	9,259	8,279		
CASES	4,393	4,422	4,220	3,797		
PERSONS/CASE						
DOLLARS	$ 1,114,159	$ 1,125,408	$ 1,071,514	$ 998,071	$	$
$/PERSON	$ 83	$ 85	$ 85	$ 88		$
1982						
PERSONS	10,252	9,453	9,273	9,762		
Children	7,380	6,815	6,705	7,024		
CASES	3,358	3,077	3,013	3,199		
PERSONS/CASE						
DOLLARS	$ 885,725	$ 820,019	$ 802,965	$ 863,214	$	$
$/PERSON	$ 86	$ 87	$ 87	$ 88		$
1983						
PERSONS	10,540	11,659	12,150	12,727		
Children	7,547	8,292	8,607	8,978		
CASES	3,460	3,835	4,017	4,206		
PERSONS/CASE						
DOLLARS	$ 928,932	$ 1,034,104	$ 1,074,067	$ 1,137,613	$	$
$/PERSON	$ 88	$ 89	$ 88	$ 89		$
1984						
PERSONS	13,434	13,486	12,959	12,208		
Children	9,470	9,471	9,131	8,585		
CASES	4,470	4,456	4,261	4,005		
PERSONS/CASE						
DOLLARS	$ 1,196,438	$ 1,203,246	$ 1,157,922			
$/PERSON	$ 89	$ 89	$ 89			

SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, STATISTICAL BULLETINS

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, DECEMBER, 1984.

P-020/01
SC 12.14.84
VIRONMENTAL SCAN

PERSONS BENEFITING FROM AID TO FAMILIES WITH DEPENDENT CHILDREN TULSA COUNTY

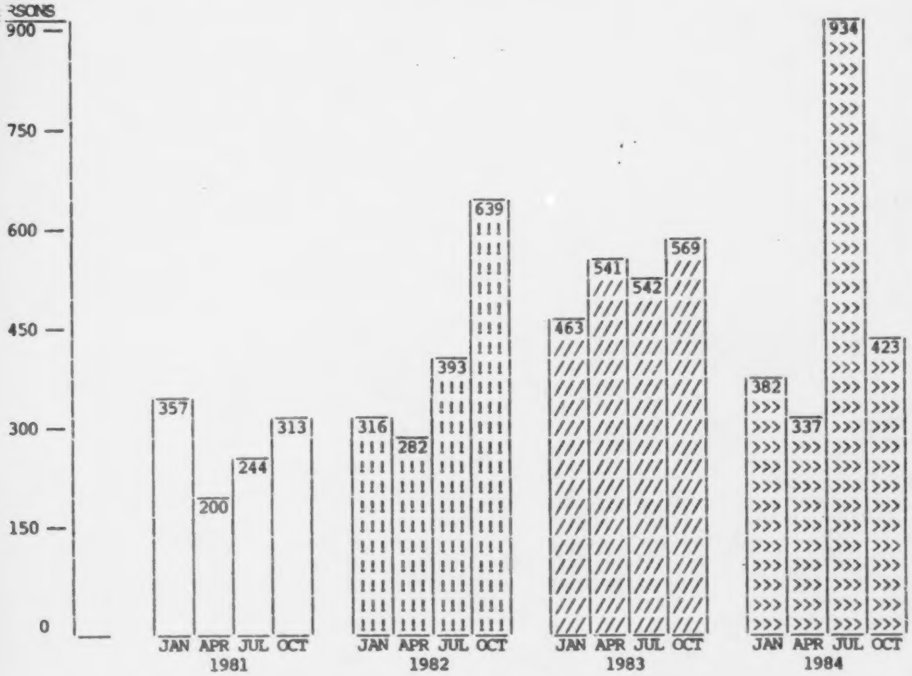


SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, STATISTICAL BULLETINS

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, DECEMBER, 1984.

T-029/01
SC 12.14.84
VIRONMENTAL SCAN

PERSONS RECEIVING AFDC EMERGENCY GRANTS
TULSA COUNTY



SOURCE: OKLAHOMA STATE DEPARTMENT OF HUMAN SERVICES, STATISTICAL BULLETINS

PRODUCT OF: METROPOLITAN HUMAN SERVICES COMMISSION
PREPARED BY: COMMUNITY SERVICE COUNCIL OF GREATER TULSA, dka, DECEMBER, 1984.

(The publication "Poverty and Hunger in Oklahoma: a Closer Look" is held in the committee files.)

Mr. PANETTA. Thank you.

STATEMENT OF MARY McQUAID, EXECUTIVE DIRECTOR, OKLAHOMA ANTI-HUNGER PROJECT

Ms. McQUAID. Thank you, Mr. Chairman.

I am director of a statewide antihunger project, and I feel real fortunate to have two of the people I work real closely with lead into what I want to talk about.

My agency is involved with about 300 agencies and churches and feeding programs and other kinds of concerned individuals around the State that look at hunger and other economic issues that affect our poor people here in Oklahoma. We are coordinating our efforts in three major areas. The first one is education.

I think it is real important that not only agencies that serve the poor but also the poor themselves be educated to the kinds of areas where they can get their needs met.

We also are involved in networking. We found it was much more effective to get something done and something changed if we all worked together. It was very difficult when we were trying to slake a line by ourselves.

We are also involved in a lot of advocacy, looking at the kinds of programs and making recommendations and trying to do changes not only at the State level, but also at the Federal level, and not just in policymaking but also in legislative issues. So I am really happy to have the opportunity to address some of my concerns.

What I did when I learned I was going to be able to testify today is, I called a number of the people who I work with and asked them for their comments related to some specific questions that Chairman Panetta had sent out with his invitation.

Some of the comments and the observations that I have today are mine as well as the people who I work with, and I want to give them credit and thank them publicly for their assistance.

My position as an advocate is that I am concerned about the clients. That is my first priority. So, I am not going to address many of the administrative problems or many of the administrative things that the people from the State talked about this morning.

My only concern is that when the administration gets in the way of providing access to programs and benefits to clients. I want to address first specific support and opposition that I have to items related to H.R. 5151. I think there is some real positive things that were talked about last year and that were addressed.

I was real pleased the House was able to pass it, but I was, unfortunately, the whole long process, if it doesn't make it through the long process, we don't get it.

Some of the specific things I would like to support are: First, increasing the resource limit from $1,500 to $2,250 for most families and then for those families that have an elderly or disabled member, I support raising the limit from $3,000 to $3,500.

Second, increasing the allowable limit for vehicles from $4,500 to the $5,500. The kinds of things that we are seeing in Oklahoma and that Sandy addressed were that there are many female-headed households in Oklahoma that are now poor, they are going to be poor for several years and then they are not going to be poor anymore.

They are going to get jobs. The woman this morning, she has good skills. There has been a problem where there is not the kind of jobs in Oklahoma to give everybody a job, that provides for those people who for one reason or another had a livable income and does not penalize them for a certain point in their life when they need some help.

Third, I support increasing the earned income deduction from 18 percent to 20 percent. Eighteen percent is just not enough. It does not cover many of the family's taxes, much less any costs related to transportation or to other items.

Fourth, I support expanding the dependent care deduction to actual costs. Again, I think the kinds of trends that we are seeing is it is women who are trying to support themselves. Statistics from DHS show that women are on the program about 2 to 2½ years.

At that point, they need some help. I think providing dependent care for women who are out looking for jobs and are looking or are working is very essential.

Fifth, if possible, I would like to see the dependent care deduction and the shelter deduction separated. I think it is a penalty for those people that have dependent care or high shelter costs.

Sixth, I also think it is a wonderful idea extending categorical eligibility to AFDC and SSI recipients.

Seventh, adoption of the low cost food plan rather than the thrifty food plan. I have a long history of dislike of the Thrifty Food Plan. As a home economist by profession and training, I am one of the advocates, and Sandy has called it the stingy food plan, and I heartily agree with her, I would like to see a shift to the low cost food plan.

Eighth, update the allotments on a more timely basis. I think it is very important that we look at the timing of updating allotments. I think holding off for 18 months to update allotments is just too long. We need to have more timely allotments.

One of the things, and again, my biases are coming out, I am very supportive of the Department of Human Services Education Program.

It is an excellent program here in Oklahoma, and I think that the kinds of opportunities that legislatively and administratively that we can offer the clients to provide them the information to let them purchase as much food as they can with the limited amount of money that we give them and to also show them how to prepare that product. I think that is an excellent program.

I also want to encourage a look at optional State option outreach programs. I think that one of the things that we are looking at is a lot of this pioneer spirit and all these reasons people don't participate in the programs, one of the reasons is that they do not know the program well enough to get involved in it.

If someone can talk with them about not only what the program is, but also how that program functions, so that they can get into a system that makes it much more accessible for them.

There are four major components that I am opposed to in H.R. 5151.

The first one is mandatory monthly reporting and retrospective budgeting. There needs to be an allowance for the States to do that at their option.

Second, although I am not opposed to decreasing error rates, I am opposed to the dollar-for-dollar sanctions that were discussed last year.

Third, I am vehemently opposed to mandatory workfare, but I do support job search.

Fourth, as with Sandy's comment, I oppose block granting of any nutrition programs at any point for any reason.

The kinds of comments that I want to make about the Temporary Emergency Food Assistance Program are more in the general category. The kinds of comments that I have heard this last week and then over the term of the State operation of the program have gone from not real happy with the program to much more satisfied with the kinds of response we are getting.

I think the State is able to work with them much better. I think the agencies, now that they have got better verification, it is a much easier process for them.

The complaints that I have received have been from some of the food closets who want to not make people eligible based on the Federal regulations, but also on the regulations that they use internally.

There were comments about they would love, in some of the counties that don't get the extra foods, they would love to get the extra product. Many of them are seeing that the commodities that people get are the kind of food that tide them over, and if you are looking at butter and cheese, that is kind of a limited amount of food to tide one over for any amount of time.

The agencies that I have talked to have been very high on the relationship that we have with the State welfare department. They indicate it is very open and very cooperative. The only discussion, I want Mr. Fulton to know that I thought long and hard about making the kinds of comments about operational things and administrative things. But I thought better of that, to discuss that at a different time.

The only problem that the agencies had is when they got spoiled food. Many of them when I talked to them, well, what is the policy, how do you handle that? They did not know. No agency could tell me what the policy was regarding this situation.

I think what that is, is that the agencies are not aware of what exactly they are supposed to do if they get that product. What I have heard is they cut out the bad product and give it out, anyway.

So I think there are some minor things that need to be worked out with individual agencies.

Several of the agencies that I talked to don't participate, and I sought them out specifically. Primarily, it is the verification and eligiblity procedures. They are vehemently against that and don't want to participate because of that.

I do want to mention that I think that the States need to have adequate administrative moneys to fund them and help support that program. I think without that, it is going to be very difficult to manage to give as good a service as they do.

Two programs I want to mention or two items that I want to mention very briefly is I am so sold on Expanded Food and Nutrition Education Program, especially in Oklahoma, with limited funds and with limited staff, they are doing a wonderful job and I know that people are going to address that, but I also want to put in my nickel's worth and give them a good applause, too.

One last item is that I want to encourage this subcommittee to work with the other committees in the House that are looking toward a national monitoring for nutrition.

I think that is very important. What has been a problem for us that are advocates and also for program administrators is that we get a lot of feedback from the public saying, you know, there is not the kind of problem related to hunger and malnutrition because there is not a whole slew of documented deaths from hunger and malnutrition.

I think nutrition monitoring can help us sell the kinds of devastation that has happened to people. Not just that they are hungry but that they are being malnourished and that there being cumulative death effects, you know, we may have problems now, but it is going to be much worse later on.

Just in closing, I would like to say that the two most vulnerable groups of hungry people in this country are female-headed households with children and the elderly, and those are the most vulnerable groups who have least options to taking care of any kind of aggressive solution to their own problem, and I think it is imperative that the Federal, State, and local governments, as well as the private industries, and the churches and anyone who is concerned, needs to be involved in this, but the Federal Government cannot negate its responsibility nor its commitment to feeding people in this country.

Thank you.

[The prepared statement of Ms. McQuaid appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much. You obviously have done your homework and I appreciate your comments on each of those aspects.

Let me just comment so you were not under a misapprehension or maybe I misunderstood, but the H.R. 5151 did retain monthly reporting as optional, didn't make it mandatory, that was one of the things we were very concerned about, and I don't know whether you were implying that there was no workfare in that bill, it was basically assistance for job search and that type of thing.

Let me just ask you generally, if you take the period of 3 or 4 years ago and look at today's situation, I assume that there is a concurrence with the panel that things are worse today than 3, 4, or 5 years ago, whatever?

Ms. **Ingraham**. Yes.

Mr. **Panetta**. I mean, that the 30-percent increase in the group below the poverty, that generally, if you are looking specifically at hunger issues, that things are worse. Is that a fair statement?

Ms. **Ingraham**. That is, quite unfortunately, accurate.

Mr. **Panetta**. Let me ask each of you, can you give me just three basic reasons why that is happening?

Because I get that question all the time. There are a lot of people who play with it, and you may all agree, but I would really be interested if you could kind of nail down, what are the three reasons that has happened?

Reverend GLENN. Let me start general and depend upon the technicians to give the more detailed.

The bust in the oil industry, of course, is one. And we have a double whammy here with oil and the agricultural crisis, and the arrival of people from other States looking for employment in the oil industry.

The chairman of my legislative committee, who at that time was director of Catholic charities, had a person apply for a position here in Oklahoma who had worked for the State of Michigan. It was his task to give one-way bus tickets to Oklahoma, to Michigan people who were unemployed. And of course, the State, when confronted by Governor Nigh with that, denied it.

But here was a person who was responsible for doing that. So we have imported a number of people. And so that is another factor. I don't know the extent. I know it is a major factor.

But when we asked the churches in 1982 how much of an increase they had had in the past year or from 1980 to 1982, we had churches saying that the increase in people who come for emergency assistance has been all the way from 15 percent to 600 percent, an average of about 138 percent. That was in 1982.

We haven't formally surveyed again, but as I have been in contact, churches continue to have a run on the food closets and so on, so that increase is continuing from the information I have.

Mr. PANETTA. Ms. Ingraham.

Ms. INGRAHAM. Max stole one of my answers, but I am going to repeat it, anyway.

I would put the whole concept of the farm problems and the economic problems as just a general problem with inflation and the economy and its devastating effect.

The benefit erosion due to inflation is tremendous. The benefit for a welfare mother with three children in the State just in the past 4 years, we focus on a 4-year period in this study, her purchasing power with that unincreased AFDC check has lost over $80, and we are talking $200 in what was 1979 or something like that for a mother with a family, with two children in this State right now. So when you erode it with inflation, you have almost nothing left. So that is a big problem.

The benefit reductions, the restriced eligibility coming down from the Federal Government, that coupled with the increases, increased tax burden, we have a lot of poor people thrown into taxpaying categories for the first time in their lives because of some of the changes in Federal tax structure and that has been a tremendous problem, a real double whammy, the inflation with the benefit reduction with the tax increases.

Almost a more important reason than any of that, though, I think, is the lack of focus on the problems of poverty and hunger. What we are seeing is a withdrawing of a Federal focus, a Federal direction that says this is a problem and we have solutions, and we are instead replacing it with a so-called State effort. Well, we don't have a State effort and I don't think we are going to get one.

A few weeks ago, we had an attempt to take over one of our oil companies here, Phillips Petroleum. You may have heard. They were doing all this merger stuff and I could tell you what, within three days we had a bill all the way through the legislature signed into law by the Governor and it was being challenged in a court in Tulsa.

I mean, that is fast. That is somebody focusing on a problem. Now, the answers may have been wrong, but we could do that if we focused on it and we have not yet begun through the State and I don't think we will because of the system of priorities.

It is a national problem. The economic problem is a national problem and we need a national continued focus and attention to the problem and until we have that, we are going to continue to worsen in the area of poverty and hunger.

Ms. McQuaid. I think that is a major reason for the problem. And I think it is not just a lack of focus. I think it is a lack of commitment. I think there is just not a commitment, and it is not just from this administration. I think it has gone back for several years, is that we don't really want to look seriously at the problem of hunger. We are willing to feed people, but we are not willing to look at the problem.

My only other comment is that I think the kind of people of the poor has changed. I think looking at female-headed households with children is a major problem.

Those women who are now in a welfare situation or in a job situation who have not previously been in that whole cycle has increased. I think you are looking at a situation where many of these women do not have the skills nor are they paid in the job market at an equitable rate to men and I think you have that kind of situation.

You have also got the problem with the good child care expenses.

Mr. Panetta. Let me ask you, because that struck me when we went to Jesus House. I mean, we have been to an awful lot of food pantries and soup kitchens around the country, but I think without question there were more women with young babies in line there for their food bags than any place I have ever seen.

And the question I was asking some of the officials and others was, why is that happening here? I mean, it may be that it is picking up everywhere in the country, and I am sure it is. We saw little children in soup kitchens everywhere. But it just seemed to me that there was a predominant number of women with small babies waiting in line for their bags.

Ms. McQuaid. I think Max can probably address the statistics, but we have a high divorce rate in Oklahoma.

We also have a lot of pregnant women who are single. Both of those cycles outside of mainstream, women who get divorced, and those kinds of things.

Ms. Ingraham. Let me refer you to a couple of things. You might want to look at page 6. I think what is going on in the national poverty rate is being reflected here, and the chart up at the top shows a change in the poverty rate in different categories of people. You will notice the largest change between 1979 and 1982 was the increased poverty among female-headed households with children. It increased 7.5 percent. Poverty in the general population for the same period increased 2.6 percent.

So it is worsening. It was for the first time in 1976 more poor lived in female-headed households than in male-headed households. It is a dramatic, total shift, and it is worsening. I think we are second or third in divorce rate. Mary is accurate on that. On two scales, depending on how you measure it and in terms of teenage pregnancy, we are third or fourth, depending on whose study you look at in that statistic.

We have the worst prenatal care of any State on record. When you give bad care to teenagers that are pregnant and end up with children with difficulties, then you have high expenses, and it is a cycle, and it just goes on and on and on, and we have some tremendous social problems that are adding to the feminization poverty.

We are not higher than other States statistically in the feminization poverty. In fact, we are a little bit less in that category, but we are probably going to pass them unfortunately very soon.

Mr. **Panetta**. The indication was from some of the officials that 50 percent or more of the people who qualify for food stamps don't get food stamps or that qualify for other benefits don't get them. Why is that? What are the reasons why they are not getting those benefits?

Ms. **Ingraham**. Mr. Fulton left. I can say this out of his presence. I will have to give him a plug, I think the Department of Human Services in our State has improved tremendously under his leadership. But we have the remnants of a fairly old locally controlled, locally administered system, even though it was a State system. The attitude in the local community by a lot of workers is not client oriented. Some of the best people I know work at the Department of Human Services, in terms of their attitudes, and unfortunately some of the worst. You have that kind of mix, and in every population group, the way we treat poor people is a problem. The way preachers talk about poor people in church and make people not want to participate and play on their hesitancy to participate in the programs is a problem.

The Dallas newspaper, whatever name of that newspaper, Morning News, did a study and went into a place called Rayview, OK, on the hunger study and interviewed this woman who looked like she was about 60, and it turned out she was 35, because she was completely drawn. It was just incredible. They asked her why she wasn't on food stamps, and she said, "Well, I don't know, I used to be. They stopped. I must have done something wrong."

I think that says more about why people don't participate in the program. People don't know about it. They are made to feel like it is their future, and it is just hard to stay in that system and hard to continue to get the benefits that so many people need in order to survive.

Mr. **Panetta**. Mr. Glenn.

Reverend **Glenn**. We find that people come to church closets sometimes that wouldn't go to human services. One of the things that disturbs me in so many communities is the churches, they are so afraid they are going to be conned that ministerial alliances across this State, a number of them, are sending these people who knock on a church door to the police department to check on them before they will give them food out of the church food closet. And that says something about the attitude toward the poor.

I just wanted to share, I am reminded, one of my staff that works in local communities came from a meeting over the weekend in a small community, 1,000 population, where they have a private food closet, and they provide furniture and other kinds of things. They said in the last year they had served 700 people in a population of 1,000.

Another thing that I recall from my work in Appalachia, back when the Food Stamp Program was first initiated, and at that point had outreach workers, particularly in rural areas. You are talking about a very complex situation. It is not a matter of just going and getting services as you and I would in a professional way, but you are dealing with the culture, you are dealing with a variety of things, and it seems to me if we could find ways to encourage more outreach—I don't know why, Sandy mentioned human services seems to employ some of the best and some of the worst. My chiropractor was telling me at 7 o'clock this morning, I mentioned I was coming to this hearing. He said, "You know, I work on a lot of staff who work at the welfare department," and he was telling me how these welfare staff persons hated poor people, and that has been my experience, too.

So I think day in and day out, you get such a burnout that you—so that is a declining kind of concern. But overall I hear us talking about a Band-aid approach and how can we fix here, how can we fix there? What we are dealing with is the need for fundamental change in society. As we move from an industrial society into a communications, and I think as robots and computers replace people, we have to rethink a lot of things. So I call loud and strong for a systematic approach and a systems approach to this whole thing and a long-term systems thing, as well as the short-term Band-aid approach and the need to put food in people's stomachs.

The thing that I cannot reconcile in my mind, when Jesus House, the need is lifted up in the community, people respond. When we issued the first study on profile of poverty, the local news carried a 5-minute segment each night for a full week. The reporter called me and said she had over 400 phone calls of people calling, "How can we help?" So when the poverty is personalized, people are overwhelmed with need. Somehow, as we deal with it in a systems way and as it becomes a mass rather than a person or a mother and her child the people will respond to, when it is a mass, we are turned off.

So some way, and again, I think this is part of the whole national—I happened to be in Washington at the time that the press and Mr. Meese was saying there are no poor people in the United States. And as long as the media——

Mr. PANETTA. Said it was not a problem?

Reverend GLENN. Yes. You know, however the media can feed it to us, we are not going to solve this problem.

Mr. PANETTA. I think you are right. I think you are right that in the sense if you don't maintain the focus, people don't generally want to focus on that. I mean, if they are focused, then they will care. But generally most people don't—I mean everybody is wrapped up in their own day-to-day lives and trying to care for their own families, and they don't pay that much attention to the other side of America.

Unfortunately, that is part of the responsibility to provide that type of focus because those are American problems. It is not like they are problems of another country, like Ethiopia or Africa or anywhere else. It is right here in this country, and until we improve that focus and make people aware of it, we are going to keep shoving these problems into a corner. But there are an awful lot of people moving into that corner, and that is the concern.

Reverend **Glenn**. People need to see this as a systemic problem.

Mr. **Panetta**. That is right.

Reverend **Glenn**. I am reminded with the farm crisis, I have some people in my own family who are farmers, and I know from newspapers and from some other sources that they are facing bankruptcy, and already they have come and picked up some machinery, and I am worried because they are farming some land that I have. But when I sit down and talk with that uncle, he is not about to reveal that to me, because somehow it is a personal failure. And so it is with the poor people, it is a personal failure, and we are not about to admit or reveal that it is a systemic-type thing.

Mr. **Panetta**. Let me ask you one last question. There has always been some argument that the private sector needs to pick up more of this responsibility, and I recognize what the churches are doing, and I recognize what the charitable groups are doing, and frankly it is above and beyond—every community we have gone into, there has been a tremendous effort done by the churches, and the, I think, charitable groups to try to pick up the chaff that is developing. In some communities we have found the private sector contributing, some we haven't. I just wondered generally in Oklahoma, what is your experience?

Ms. **Ingraham**. I was reminded last night of a panel I did where I was presenting this report and had responses from the private sector, and there was a chairman of one of the largest foundations in the State there who proceeded to say, "This report is just numbers, it doesn't deal with people, and it is not a problem, and charitable corporate giving is up 1 percent."

Mr. **Panetta**. He wouldn't say that about his profit sheet.

Ms. **Ingraham**. Right. Somebody in the audience says, "You know, doesn't business use statistics?" It was wonderful. But I don't think he represents the business community. I have worked real close with a large number of foundations in the State on a variety of problems. What we have in the State of Oklahoma is a—or did have, I would say, probably until the past 4 years where we have had the withdrawal of the Federal piece of it—but we have had a rather sophisticated improving but kind of intricate, delicate balance of a partnership between public, private, church, Government, everybody doing a piece of solving the problem.

For example, we have good business support, good charitable support in issues like prenatal care, and that is improving, something where the business community can look very directly and see a very direct effect, and it is more of a socially acceptable problem. We get good response to senior citizens problems because it is socially acceptable to be old and poor. You have an excuse. It is that middle area that is the continued problem. It needs to improve.

And I think we need a more institutionalized or more in the business sector—we have physicians saying they won't take Medicaid because of the hassles, but saying they would give free care, and we would just encourage them to do that, and I think that will increase. The medical association has been helping.

In fact, one of the most impressive requests for a presentation on the poverty thing that I received was from the medical society. I was impressed that they cared that there were poor people. And I think we are doing pretty well, although we can certainly do better, in the area of corporate giving, but it will not solve the problem. The business community will not address the problem of poverty on a full scale. The church will not, and neither of them can, I think, fully. It is not either their primary purpose, it is a partnership, and we have got to keep that development.

I think we do need to approach it from a system. We need to start recognizing each one of those component's involvement in the solutions and stop being surprised about who is doing what, because we just haven't known, so we are improving there.

Reverend GLENN. Our experience in working with 60 communities across the State is that we can be a catalyst and can get agencies together. There is less separatism today than I have experienced before. I attribute part of this to the desperate nature and the experience agencies are having not even knowing whether they will have a future, so they are more willing to reach out in their desperation and be cooperative.

But there is no way I agree with Sandy, that the private sector can handle this. The Government needs to be at heart and center. We can get some friends, and we can do other things with the business community. I heard recently of some businessmen that were beginning to talk about a program to invest in people, and I think that is important, but we still need your involvement in a major way. We appreciate your taking the time to come to Oklahoma and see this.

Mr. PANETTA. Thank you all very much. We really appreciate your taking the time. You obviously have worked on this issue and are committed to it, and I thank you for the information you have provided. Thank you all.

The last panel today is on nutrition education, and we have Ms. Winterfeldt, who is with the Oklahoma State University, department of food, nutrition and institution administration, and she is accompanied by Janita Morgan, who is an EFNEP representative.

We also have Carlene Jordan, who is with the Expanded Food and Nutrition Education Program. She is a supervisor in Muskogee, OK. I want to welcome you all here. I appreciate your taking the time to come and testify and provide us with information on nutrition and education.

We have heard a great deal about nutrition education in Oklahoma. It is one of the issues we are trying to focus on, and indeed the legislation that we had last year provided additional funding for nutrition education. I think there is an increasing need to build proper nutrition education into these programs. You can't just provide the food stamps, you can't just provide the assistance without giving people a better knowledge of what is important for their nutrition, both for themselves and their children.

So we appreciate your coming and look forward to your testimony.

Dr. Winterfeldt.

STATEMENT OF ESTHER A. WINTERFELDT, PROFESSOR AND DEPARTMENT HEAD, FOOD, NUTRITION AND INSTITUTION ADMINISTRATION, OKLAHOMA STATE UNIVERSITY, ACCOMPANIED BY JANITA MORGAN, DIRECTOR, EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM FOR OKLAHOMA

Ms. WINTERFELDT. Thank you. We are very pleased to have an opportunity to come and participate in this hearing. I am the head of the department of food, nutrition and institution administration at Oklahoma State University, and as you have already heard, to my left is Janita Morgan who is the director of the Expanded Food and Nutrition Education Program, which is administered out of this department at the university, and then Carlene Jordan, who is the county director of an EFNEP Program in the State.

We are in the education business, and that is our primary focus. We are, therefore, very pleased to see this emphasis that is being given to nutrition education.

We did come prepared to focus on the EFNEP, the Expanded Food and Nutrition Education Program, today, because we understood that was probably our chief focus at this point in time.

Mr. PANETTA. Particularly since they want to wipe it out.

Ms. WINTERFELDT. Yes, sir. And perhaps if we have a few moments of time, like to perhaps briefly mention one or two of the other kinds of programs that we have interests in or have conducted some cooperative programs with, also.

EFNEP is a program that is of great importance in the State. It is a positive program. We can show excellent success stories coming out of EFNEP. It is a program that has a good image in the State. It is not beset by many of the kinds of problems that we hear described in some of the others, and possibly that is because it is primarily focused on education and direct education benefit to people. This is a program that has been a means of reaching low-income families since 1969 when the program was first initiated, and as a result of that, we have a great deal of evidence that points to tremendous benefits that have come to adults and youth and families and so on.

EFNEP is a program that is effective in that it helps people directly. It is based on the concept of self-help, and we think that from an educational standpoint, it probably is exactly the correct approach in that it offers individualized assistance and in the family setting starting with the homemaker, and building on what those needs are, the identified needs of the people as to where they are.

The fact that it is an education program means that we look at it as saying, we are helping to give the information on how to fish rather than giving the fish in terms of the saying that is sometimes quoted.

It is not competitive with any other program, it complements several other programs, and it does what many other programs do not do or cannot do. It is a continuous educational effort for the people that it does reach. Persons who are in the program are continued for at least 6 months during which time they are seen often by the aides in the program who are working directly with them. It is a more cost-effective program in a great many ways because it does use local people as the aides and the teachers in the program, and it also makes a great use of volunteers right in the community.

We know, further, that it is effective because we do have studies in Oklahoma that do show improvements in the level of knowledge, as well as in actual food behavior of the participants in the program. It is effective in a number of other ways, and we have indications that it has resulted in better money management and improved sanitation and energy conservation, even better school attendance of children and a number of other ways such as this.

Just to quote some of the statistics as to the outreach of the program, since 1969, when the program began, we have been able to reach 54,992 low-income families, and included in that or besides that, 131,637 youth. The specific statistics for the 1983-84 year is typical of the contacts that are being made now: a little over 3,000 families and close to 5,000 youth who are being reached in Oklahoma through this program.

Now, some 47 percent of the children that are reached were 5 years of age and under, and that has been one of the emphases and thrusts in the program, to try to reach families with young children to the fullest extent possible. Of the families that have been enrolled in EFNEP, a sizable number are also enrolled in others of the food assistance programs, such as about 1,500 in the Food Stamp Program, 868 in the WIC Program, and over 2,000 in other kinds of child nutrition programs.

The personnel in the county programs who are working in EFNEP do try to work very closely with people in those other programs as the opportunity presents itself or as there are means for providing this kind of collaboration.

Let me say that in the beginning when the program began in 1969, it was in 11 counties out of 77 in the State, 11 counties. At present, the program is in 10 counties. Now, over that period of time, from 1969 up to the present, there have been variances at times as to the total number of counties that have participated. We have been as high as 14 or 15 at various times, and then have had to shift again.

There are 9 home economists that are involved in that, and then 69 nutrition paraprofessionals who are currently working with that program.

I mentioned briefly that we do make extensive use of volunteers in the program, and again we do try to document some of the information about how effective that is. For instance, 955 volunteers do work statewide with both the adult and the youth EFNEP programs now, and we do estimate that in terms of dollar value and total hours that are spent by the volunteers, it is a cost saving program from that standpoint.

The other program that I would mention briefly is out of our department; and at the university, of course, we being the land grant university in the State, we do administer also the Cooperative Extension Program, another good Nutrition Education Program, as well as one that reaches whole families, adults, and youth as well.

Now that program, of course, is in all 77 counties. It has been a well established, very, very good and effective program for many, many years.

The 4-H programs are strong in the State. They have been very effective. Every year we have national leaders in 4-H programs of various kinds. Of course, our university is the major degree granting university in the State in the area of nutrition, dietetics, providing the professionals, in other words, who are the ones that do go into the administration of many of the programs and who do work in many of the programs.

We have worked closely with school food service people. We have worked closely with people in the EFNEP program. In fact, we have our EFNEP coordinator with us here today, who was interested in hearing the discussion and who came to sit in.

We do appreciate Mary McQuaid's mention of the fact that EFNEP has been a successful program. Again, it seems to us that it reinforces its success as a program that has been able to do things that many times other programs have not been able to do in quite the same way.

We do actually have a number of success stories we could relate, and, in fact, I do think that Carlene Jordan is going to give us a little bit about the success stories that do indicate direct benefits that do come from out of the program. We would, of course, very much like to see it expanded so that more people in the State could be reached and that we could expand from 10 counties over to 50, 60, or 70 counties. We feel that there could be that much of a multiple amount of benefits that could be provided if it were possible to do that.

We think it is a program that has proven its cost effectiveness in terms of improved nutrition and improved health. It has been administered with care and frugality throughout its entire lifetime. We, of course, as the people directly involved in it and responsible for it, do strongly urge at least a continued level of funding at the very minimum and an increased level of funding at the optimum in order to be able to continue and increase the impact of it. If it could be expanded to many more of the counties in the State, there would be an expansion of impact in the same way. Thank you very much.

[The prepared statement of Ms. Winterfeldt appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much.

Ms. Morgan, did you want to say anything?

Ms. MORGAN. I would like to pass the discussion on to Ms. Jordan if I can.

STATEMENT OF CARLENE B. JORDAN, SUPERVISOR, EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Ms. JORDAN. I want to say I really appreciate the interest of this subcommittee in nutrition programs, which I feel are so vital to the people in our area.

I have supervised the EFNEP Program at the county level in Muskogee County for almost 15 years, and what I will be sharing with you today are some eyewitness observations of some of the needs that I see, nutrition-related needs of the families, and also some of the impact that EFNEP has made on those needs.

This year in Muskogee County, we will reach approximately 500 families. And we find that malnutrition and hunger are very prevalent among those families. We see a large number of children and women with anemia.

I have observed a higher than normal incidence of disease and illness and as a result, we have children that miss school often, we have wage earners that are absent from work more often. Sometimes the school lunch is the only balanced meal a child will get for the day.

I have visited with school lunch cooks that have told me they have had children come by midmorning begging for food because they are so hungry; teachers in classrooms that tell me they have noticed children getting headaches, and I have experienced these same kinds of things in nutrition day camps with children in the summer.

Another problem that I have observed is severe tooth decay. I was really shocked when I looked into the mouth of a little 5-year-old girl in one of our families and she had nothing but little black nubs at her gumline, and the dentist at the Indian Health Department tells me he sees this on a daily basis.

As an example, about 2 months ago, an aide was visiting in a homemakers' home and the child was crying with a toothache, and she gave it a sucker to pacify it. Of course, that was the worst thing she could have done, but she really didn't know better.

Another disturbing problem is the incidence of failure to thrive among infants of low income families. In the last 6 months, we have had at least two referrals. One was from child welfare and the other was through a juvenile court case involving a teenage mother. One of the infants was 7 months old and only weighed 8 pounds, and, of course, nutrition has an impact in this regard.

The WIC nutritionist in our country tells me that she sees a lot of this same problem. All of these problems, I think, these are just a few of them, can be addressed and improved by nutrition education. And I would like to focus now on how EFNEP is making an impact on these problems.

I have observed families that have learned how to stretch their food stamps or their food money to the end of the month. This has been a real problem in the past where the last week or week and a half of the month there was no food at all in the house and when the aide is able to teach the family, they are able to learn how to budget that food dollar.

Special youth programs have taught youth how to prepare their own breakfast. We have also encouraged the mothers to do this, but if they don't, then this is another way of getting that important meal of the day.

Aides have had a high degree of success with pregnant homemakers and pregnant teenagers. We have a lot of pregnant teenagers among EFNEP families and they report that pregnancy is really a teachable moment. The women seem to be motivated by the concern for their unborn child.

A major finding of the thesis research study that I just concluded at OSU is that not only did EFNEP improve the diets of families but those improvements were sustained.

We did a followup all the way up to 3 years after they had been out of the program, and they were maintaining that improved level of dietary adequacy. I think this is very important because if you are going to impact the health of families, you do have to sustain that improvement over time.

I feel that the Food Stamp Program and donated foods, WIC, school lunch programs, all of these are really crucial to the survival of families. But it is my opinion that our return on investment in these programs would be greatly increased if we would expand our nutrition education efforts, and I think it takes an intensive educational program such as EFNEP to really change the food habits. That is something that doesn't change overnight. And you really have to work intensively with the families to do that.

I should say this: I am convinced that EFNEP is one of the most effective nutrition education programs ever designed to help families help themselves, and I have two closing statements.

The paraprofessional aide is really at the heart of EFNEP. These people literally risk their lives on a daily basis to go into the homes of families and to help them, and I say that because they are going into areas that have unbelievable crime rates. You wouldn't believe some of the things that happen and some of the experiences that they have had.

But they continue to go back because they see the need there and they know that they are making a difference in the lives of people.

And a final comment. I think with the keen public interest right now that we have in nutrition and physical fitness, we see a lot about it in the media and how important it is, I don't think there has ever been a more teachable moment as far as making an impact on the nutrition of families in our country.

And, Chairman Panetta, I don't think we can really afford to let this opportunity pass. I think we really need EFNEP, an intensive educational program that will change the lives of families.

[The prepared statement of Ms. Jordan appears at the conclusion of the hearing.]

Mr. **Panetta**. OK. Thank you all very much.

It is good to hear what your basic thoughts are reinforced and you have done that, and I appreciate that.

Let me ask some questions. First of all, on EFNEP and the cooperative extension program, and I think the State has its own program, too. Doesn't the State Department of Human Services have a separate nutrition program, or are they all——

Ms. **Winterfeldt**. Not an extension.

Mr. **Panetta**. No, I know.

Ms. **Jordan**. Doesn't that come through the Food Nutrition Service, which is also administered by USDA?

Mr. **Panetta**. The question I was going to raise and the question that has been raised I know on some nutrition bills that we have been working on is the lack of coordination among some of those nutrition programs.

Is there a coordinated effort? Do they both hit target at the same groups? Is there any crisscross in terms of jurisdiction? What is your experience with those programs? Do they each go after an area of their own?

Ms. MORGAN. Are you talking about duplication of efforts?

Mr. PANETTA. Yes.

Ms. MORGAN. That is something I was going to bring up, too, and on the back of the sheet, history and background of EFNEP in Oklahoma, there is a directive at the very back where it is talking about as far as working with referrals and with the welfare program.

As such, I don't feel like there is any, as far as duplication, because we are looking at nutrition education. We are more or less building on them. We are taking a lot of those clients that they refer to us and the aides are actually going into their environment and teaching them, where many times the welfare may not have the staff or may not be able to reach those people.

We are educating them with maybe some of the sources that they have provided them with, but we are continuing that on for 6 months to 18 months. Like she said, an intensive-type nutrition education, I think it is a totally different thing on an individual basis, one-on-one basis where the aide is going into their environment.

Ms. WINTERFELDT. Excuse me, one other difference I think probably being institutionalized groups of people versus in-family settings.

Ms. MORGAN. Yes.

Mr. FERSH. Just to clarify for the record, the program you talked about in cooperative extension that exists in all counties of the State, that is not a program that is aimed at low-income people, is it? It is a general home economic type of program?

Ms. WINTERFELDT. It is available to anyone who wants to be involved in it; yes.

Mr. FERSH. Then there is EFNEP, which is done in cooperation with cooperative extension and the State university.

Then in addition, there is this program we heard about this morning that is run out of the Department of Human Services. It is not clear, and I am not sure you can answer, but how does their approach differ from what you are doing?

Is it complementary? Do they do a long-term intensive nutrition counseling, do they do a short term and refer it on to EFNEP or what is the interrelation there?

Ms. JORDAN. I don't feel there is a duplication of efforts. Theirs is more in a group setting and having people come in, an informational-type program, and the EFNEP then complements that because we do get referrals of the families that are most needy and those are the ones that we target, those that really need the support of an intensive one-to-one.

Mr. PANETTA. Let me ask you, how does it work when the food stamp recipient goes in to qualify for food stamps, how is that person, that mother, whatever, how is that person made aware of nutrition education that could be available?

How do you coordinate that? How do you make that person, you know, concerned about getting good nutrition education?

Ms. **Jordan**. I can speak about the situation in our county. I have been in touch with the social worker, the supervisor of our social workers.

I have presented them a program to make them aware of what EFNEP is in our county and how it operates. I get individual family referrals from them. Most of the time it is on families that are in greatest need. We have requested names and addresses of families that get food stamps, but because of limitations of rights to privacy, we are not able to do that.

It would be a tremendous help to us if we could get the names of families that receive food stamps. Our aides do have to spend quite a bit of time getting referrals and knocking on doors, and it would really make the program more efficient if we could do that. Now, that is a great need. But I don't know how you get around the privacy rights of the citizen there.

Mr. **Panetta**. I have often played with the thought of making it mandatory, but every time we make something mandatory, it then becomes another form to fill out, and I don't want that to happen.

But I really do want to emphasize that aspect, because, again, the experience we are getting from the WIC Program is when you build it in as an actual component, it just helps improve the way people deal with nutrition in their family and it just makes an awful lot of sense. Particularly, we have this commodity distribution program and the problem with that is that, while it is necessary, it creates additional nutritional challenges because if you are just getting cheese and butter, I mean, that isn't the best diet in the world. And how do you then deal with that in a nutritional way?

Those are the questions.

Ms. **Winterfeldt**. I think that that is one of the things that the EFNEP aides do definitely work with, though, is helping people how to make use of those commodity foods, and they are doing a good job with that.

Ms. **Jordan**. And we appreciate the donated foods and we view that as a way to supplement their food budget so we can help them utilize the rest of their food dollar to buy other types of foods to make a balanced meal.

Mr. **Panetta**. If that programs were eliminated, what would happen?

Ms. **Jordan**. I think we would see an increase in hunger and malnutrition. I think we have made some real progress in trying to educate this audience, and I think if we stop now when it is really at a teachable moment, I think we are going to lose a lot of ground.

Our families are going to maintain what they have learned, but they are beginning to share that with other families, with their children, this is having an impact on more than one generation, with their friends, with their relatives, and EFNEP really goes beyond just the immediate family setting.

I just think we would just be really regressing and I think that it is really important to continue it right now.

Mr. **Panetta**. Would there be State resources that would pick up that gap?

Ms. **Winterfeldt**. We have had no indication of that.

Ms. **Jordan**. Our State is really financially troubled right now. And I don't think that would happen.

Also, EFNEP has benefited the paraprofessionals that we have trained tremendously. That is another additional benefit. They become leaders in the communities. It has employed women that would not have otherwise had employment and——

Mr. **Panetta**. When you call them paraprofessionals, are they people out of the community itself?

Ms. **Jordan**. Yes, usually indigenous to the area in which they work and then they are highly trained in nutrition and food budgeting and they are able to really relate to the families. That is part of the success of the program, because they can relate on their level.

Mr. **Panetta**. Is it your experience in the work that you have done, what do you see as far as the health situation in regards to children? You have mentioned in testimony, failure to thrive. Is that a growing problem? Is it something you see regularly? What is your experience with that side of it?

Ms. **Jordan**. I hope I understand your question. We are seeing an increasee in this.

Mr. **Panetta**. Yes.

Ms. **Jordan**. The failure to thrive. And I think it is because of economic conditions. In one particular case, the mother has a learning disability and just doesn't know how to care for the infant. So as we have, you know, these problems occurring, I think it is startling to see this increasing.

But, I don't know, it seems like the generation of mothers you are working with now may not have, they have not been as involved in child care and don't know as much about how to care for their children as some of the previous.

Mr. **Panetta**. Yes, I am afraid part of the cultural problem in the country with the fast foods or whatever, the ability to prepare foods has changed a great deal.

It is the McDonald's syndrome and sometimes if that is not available, then there isn't a depth of knowledge about what you are doing to replace that.

Ms. **Jordan**. You look at the pregnant, I mean, at the teenager. The female teenager today that has the poorest diet of any group in our Nation, and these young women are our future mothers.

We have to educate them. They are also preparing their bodies for the child-bearing years where they are going to go into that with low-nutritional stores. And that is a problem we are trying to really attack in EFNEP in reaching that teenager.

Mr. **Panetta**. I mentioned a little earlier, there is a lot of support within the committee on nutrition education. We were able to restore the money on EFNEP in our recommendations and I am optimistic about being able to protect at least current funding and would like to try to put some more in.

I will be trying to develop a hunger relief act that hopefully will do that over the period of the next few years we still want to focus on.

But I feel confident that we have gotten a lot of the members, I think, aware of the need for this, so hopefully, we will be able to protect it.

Thank you very much for your testimony. I appreciate the comments that you have made and the experience that you have shared with us.

We have some time and we have been asked to allow Woody Hogue the opportunity to comment on the low participation concerns that were expressed by some of the panels.

If you would like to do that, Mr. Hogue, go ahead.

Mr. HOGUE. What I would like to do is suggest some of the reasons why you have less than 50 percent of the people with incomes below the poverty level not participating.

It has been about 2 years ago when I did this. I took the number of persons in Oklahoma participating or who were below the poverty level. Then I started counting the number of persons living below the poverty level that, for example, are in nursing homes. We have over 20,000 in nursing homes who do not qualify for food stamps.

Then I counted the number of individuals who were patients in our three mental hospitals. At that time something over 15,000, all generally below the poverty level.

Then I took the people living in group homes who do not qualify, for example, our veteran's homes and what-have-you, in Oklahoma. Then even though you have a large number of persons whose income is below the poverty level, a large number of those individuals have resources which would disqualify them for the Food Stamp Program.

And what happened when I eliminated all of these individuals that I could from the number of persons living in Oklahoma below the poverty level, I just had a small percentage of people who were not receiving food stamps that we could not give a reason for. You know, maybe they were not aware of the program.

We also know that we have a significant number of people in Oklahoma that because of their income, they are only going to qualify for a coupon allotment of $10 a month, and some of these individuals just don't feel that it is worth it to go through the paperwork and the reapplications that they have to do periodically in order to qualify for the Food Stamp Program.

I think Oklahoma has made an outstanding effort to try to let people in the State know about the program, but obviously there are some who do not know about the program.

But I wanted to get on the record some of the reasons why individuals below poverty level do not receive food stamps.

Any questions?

Mr. PANETTA. Yes; I thought your comment was that it was less than 50 percent of those who would qualify for food stamps actually receive food stamps.

Mr. HOGUE. No.

Mr. PANETTA. I am sorry, that wasn't true?

Mr. HOGUE. Now, that may have been in the Texas testimony. I don't know. Was it in ours, Linda?

Ms. VOLZ. There was a statistic that is just under 50 percent that is in Mr. Fulton's testimony, I believe, as it relates to people receiving SSI. But some of those folks fall into the groups Woody talked about, people in nursing homes.

Mr. PANETTA. I see. That is understandable.

I might say on the outreach, just to comment on that, you are really running into political problems with it, and it was suggested, it was one of the original portions of the Hunger Relief Act that we had developed was an outreach.

The problem is that everybody recalls when there were ads placed in the paper and there was a great reaction to that in Washington that at the time became a great demogogic tool to argue that somehow people were advertising to make sure people were getting on food stamps, and while that was not obviously always the case, it did undermine the efforts to provide outreach, and leftovers of that are still present.

Nevertheless, my view is that—particularly now there is a very legitimate basis on which to try to provide better information to people on this issue—there is not enough information.

And every place I go, I visit the soup kitchens and the food pantries, people do not know what is involved in the program or whether they qualify or not. And, somehow, we at least have to ensure that the people who would qualify have that information and they can make their own judgment about whether they want to go on the program or not.

Mr. HOGUE. And sometimes the limitation of the office and everything makes quite a bit of difference. Here in Oklahoma County, we recently opened a new office in the southeastern part of the city, and just by locating that office over there, and making it more accessible to the people in that area, our food stamp caseload went up.

People who would not drive over into this area of the city to make application would make application there.

Mr. PANETTA. Yes; just for purposes of the record, it was from the testimony from Texas, Mr. Dukler. He said that less than half of the potentially eligible food stamp population is receiving food stamps, and that was the quote.

So it really doesn't apply in terms of Oklahoma. That was a Texas quote. I appreciate your clarifying that.

Thank you all very much. I appreciate the testimony that has been provided here today. It has been extremely helpful to all of us in trying to deal with this challenge.

I also want to particularly thank Bob Fulton and the staff here for the help they gave us in terms of setting up this hearing and in providing the support to make it happen.

I guess one of my great frustrations is that I wish I could bring 435 Members of the House of Representatives and 100 Members of the U.S. Senate and the President of the United States to the Jesus House.

Just make everyone there a little more sensitive about the problems we are facing, because what we saw in the Jesus House and what we heard today is not very different than what we have seen and heard in cities in urban and in rural areas throughout this country.

There is a message that we have got to get across to the country that there is an urgent problem that is here and that has to be addressed. And if it is not addressed, we are going to pay a terrible price in the future, a financial price, in trying to meet the needs of people whose needs are not being met but, more importantly, a human price in the loss of a resource that we need for the future of this country.

So, I thank you all for the testimony you have provided and hopefully we can bring this message back to Washington and hope that Washington responds.

Thank you very much. The hearing is concluded.

[Whereupon, at 3:55 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF ROBERT FULTON, DIRECTOR OF OKLAHOMA DEPARTMENT OF HUMAN SERVICES, TO SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION, U. S. HOUSE OF REPRESENTATIVES

OKLAHOMA CITY, OKLAHOMA
MARCH 22, 1985

I appreciate the opportunity to provide comments on policy issues related to the USDA Food Assistance Programs.

As you know, the Food Stamp Program can only reach its optimal effectiveness if the Federal and State Governments work together in an effective partnership in order to improve policies and administrative arrangements. In this regard, I have some concerns about the trend toward an adversarial relationship by the Federal Government toward the states in the administration of human services programs. I won't dwell on this concern now, but would like to submit for the information of the Subcommittee an article Ray Scott, my counterpart in Arkansas, and I wrote recently about the deterioration of the Federal-State partnership.

Oklahoma Department of Human Services

First, let me tell you just a little about the Oklahoma Department of Human Services which administers the food stamp and commodities programs in our state. DHS is the state's largest agency, with a total annual budget of about $1.1 billion. Approximately 43% of the funds expended by DHS come from the Federal Government. The $1.1 billion expenditure figure does not include approximately $160 million in food stamp and commodity values we distribute each year.

Attached to this statement is a summary of DHS expenditures in recent years, our current estimate for FY 1985 and our budget request for FY 1986. We have shown at the bottom of this table the value of food stamps and commodities distributed in each year.

I have also attached an organization chart for the Oklahoma DHS. The Commission for Human Services is a nine-member policy board, appointed by the Governor. As Director, I report to the Commission. Policy for the food stamp program is developed and monitored by our Payments and Services Division, headed by W. W. Hogue, who will testify next.

Administration of the food stamp program involves several components of DHS, especially Field Operations (with 79 local offices), Management Information (which operates our computer services), Finance and Administration, and Audit and Review.

The food stamp and commodities programs administered by the Department of Human Services provide about $160 million a year in benefits to hundreds of thousands of Oklahomans. Clearly, the Food Assistance Programs have had a substantial impact in preventing hunger and reducing malnutrition.

As in all programs, there is room for improvement. The following are some of our concerns about the food stamp program as it now operates and recommendations for improving the program when it is reauthorized later this year.

The Food Stamp Program in Oklahoma

In 1981 and most of 1982 when most states were suffering from serious economic problems, Oklahoma was in the midst of the oil boom and had the lowest unemployment rate in the nation. Food stamp rolls were low and stable. In late 1982 and 1983, the bottom dropped out of the oil and gas business and recession set in. Oklahoma began to face serious economic conditions. Monthly unemployment rates jumped from a low of 3.1% in 1981 to 10.1% in 1983 and then declined to the current 8.2% which is slightly above the national average. The deteriorating economic conditions are shown by the growth in average monthly enrollments and coupons distributed by the food stamp program, as follows:

Year	Households	Persons	Dollar Value
1981	76,001	188,072	$ 6,092,978
1982	76,060	188,250	$ 6,100,308
1983	92,265	246,127	$ 9,277,432
1984	97,750	261,382	$10,052,646
1985	101,205	267,094	$11,310,141

Represented in the current food stamp caseload are about 20,000 elderly households with an average benefit of $13; however, 15,000 of these households received only $10. There are 15,500 AFDC households representing 51,000 persons with an average benefit of $183 per family.

Rebate of Sales Taxes on Food Purchased with Food Stamps

I must register strong opposition to the proposal to require states to rebate revenues from sales taxes collected on food purchased with food stamps. Since the late 1930's Oklahoma has had a two percent sales tax which is the primary source of state funding for the operations of the Department of Human Services. An additional temporary one percent state-wide sales tax, adopted last year, goes to the general fund. Cities, towns and counties may vote additional sales taxes for use in the operation of local governments.

In Oklahoma, food stamp recipients get major benefits from sales tax revenues. To rebate revenues on food purchases made with food stamps would, in fact, reduce services available to low income people from state and local government. Indeed, if such a rebate were required, Oklahoma could well be forced to cut medical and cash benefits for the poorest of the poor, more than off-setting any benefit they would get from the rebate of the sales taxes on food stamps. In Oklahoma, the loss to State Government would be close to $4,000,000 per year.

Work Programs

Oklahoma operates a highly successful work program for AFDC recipients. The program has several components including self-directed job search, structured job search, work orientation, direct job referral, and community work experience. Day care, transportation and other social services to assist individuals in obtaining employment are provided. As a result of this work program, 6,000 AFDC recipients were placed in unsubsidized employment in FY 1984. For FY 1985, we raised our goal by 25% over the prior year--to 7,500 placements. Thus far we are on schedule to reach this goal--despite continued high unemployment in many areas in the state. I might add that our 1984 performance placed

Oklahoma among the top four states in the country in terms of percentage of the average caseload placed in jobs.

We are now considering adding grant diversion as another component of our AFDC work program. We believe this can make our placement efforts still more effective.

Despite the wide array of options we have in our AFDC work program, I believe the key components for getting food stamp recipients into jobs are structured job search and employment referrals. Many food stamp recipients have job skills and experience. They need work referrals.

I do not support mandatory workfare for the food stamp program. A report released recently by Manpower Demonstration Research Corporation on a work/welfare demonstration concludes that job search substantially improved the employment situation of single women on AFDC while workfare (work in exchange for benefits) did not. While we will continue to utilize community work experience to help some of our AFDC recipients gain experience and opportunities to demonstrate their readiness to work productively, I believe workfare will remain a relatively minor part of overall efforts to provide employment for low-income people.

Oklahoma is now beginning implementation of a program to provide job referral and job search in the food stamp program in 10 counties. We intend to deliver this new effort effectively, but are disappointed that USDA could not provide sufficient funds for a state-wide program. Mr. Hogue will provide you with some more information on the background of this effort.

Cash Out

Oklahoma currently has approximately 27,000 food stamp households receiving SSI benefits. The average benefit per household is $13.00 per individual although more than two-thirds receive only $10.00. Administrative costs to USDA and the Department of Human Services could be greatly reduced if these households could receive cash in lieu of food stamps. Moreover, the availability of program benefits to elderly and disabled people would be improved by cash-out. In Oklahoma, only 48% of SSI recipients participate in food stamps even though many who do not participate would be eligible if they applied. Apparently, a combination of the "hassle" of obtaining and using a small amount of stamps, as well as the stigma associated with them, keeps participation low. I urge that states be given the option of cashing out food stamps for SSI households.

Categorical Eligibility and Oklahoma's Simplified Application Project:

We are strongly in favor of categorical eligibility of AFDC households for food stamps. Our Department is currently participating in a pilot project which bases the amount of food stamp allotment on the income and resource definitions used for the AFDC and medical assistance (Title XIX) programs.

This demonstration project is proving that the Federal Government and the States can save a significant amount of administrative costs through categorical eligibility, common definitions, and reconciliation of other program rules.

On March 5th we received correspondence from the USDA rejecting our request for a 15-month extension of the Simplified Application Demonstration Project. Needless to say, we are extremely disappointed with this decision.

Evaluation of Oklahoma's demonstration by Mathematica Policy Research Inc. (under a contract with USDA) is not finished nor have any preliminary findings whatever been shared with us.

Approximately $30,000 more in food stamp benefits per month (averages 36 cents per person) are issued to households under SAP than would be paid under the rules that would be applicable without the demonstration. These costs are more than offset by reduced administrative costs--more than $50,000 per month in salaries alone.

Workers have told us SAP is much easier to administer and saves lots of time. This is substantiated by random moment time sampling which indicates almost 75% less staff time is required to process food stamps for AFDC recipients under SAP. The last quarter before implementing the project (Jan.-March 1984) our field offices devoted 41 full-time equivalent workers to food stamp cases for AFDC recipients. For the last quarter since implementation (Oct.-Dec. 1984) only 11 full-time equivalents were engaged in this work. This is a monthly savings of more than $50,000 for salaries alone.

Also, data from Quality Control reviews indicate the error rate for project participants dropped from 5.54% in FY '83 to 2.23% in FY '84 which means additional savings through error reduction.

Termination of this food stamp demonstration project in Oklahoma will add to costs of the food stamp program to both Federal and

State Governments. Moreover, the project's termination would deprive the Congress of the full benefit of a significant experiment integrating eligibility determinations across Federal-State programs. Ironically, this termination would occur at the very time Congress is considering reauthorization of the food stamp program and the possibility of making recipients of cash assistance categorically eligible for food stamps.

Administration:

Administrative responsibility for the food stamp and AFDC programs should be put in the same organizational component of the federal government. There would be a much better chance of standardizing policies and definitions between the programs, and consistent policies toward the states, if the programs were administered by the same organizational component. I realize this is controversial and is not likely to be done soon. Nevertheless, it is a step that should, and I believe will, eventually be taken.

Nutritional Block Grant:

While demonstration projects might be desirable, I am not in favor of states having an option to operate a block grant to lieu of the present food stamp and other nutrition programs. I think it is far more sensible to simplify and streamline the interconnections between AFDC and Food Stamps and to take further steps toward cash-out of food stamps, than it is to put WIC and other nutrition programs along, with the food stamp program, into a single block grant. In Oklahoma, the nutrition programs are not all administered by the same Department. For example, WIC is administered by the Health Department. Block grants that cross Departmental lines within a state's organizational structure create administrative complexities that may outweigh any advantages of flexibility provided by such grants.

Importance of Food Stamp Program to Families with Children

As I said before, I strongly favor cashing out food stamps for the elderly and disabled by combining the coupon values with either the Federal SSI payment or the state supplement. Preferably, there should be a state option on cash-out for the adult categories.

I do not favor cashing out food stamps for families with children for two primary reasons: First, I think the food stamp program does increase substantially the chances that many children will receive at least minimally adequate nutrition. Second, the food stamp program moderates somewhat the wide disparities among states on cash benefits for poor families, and it helps poor families survive in the face of rising living costs, even when their available cash income is declining in real terms.

I am very hopeful that Oklahoma will soon be able to increase AFDC benefits. In January 1985, the Commission for Human Services approved a new needs standard for AFDC. I have attached to my testimony a table which shows our new needs standard, the current maximum AFDC benefit payment and the average food stamp benefit of a family receiving cash income only from AFDC. The table shows that our current AFDC benefit provides 60% of our new needs standard. When the food stamp benefit is added, total benefits are approximately 75% of total need.

A recent report by the House Ways and Means Committee showed that Oklahoma's combined AFDC and food stamp benefit for a family of three is 69% of the 1984 poverty threshold.*

I am sure the Subcommittee is aware that the present designs of the AFDC and Food Stamp programs create a disincentive for states to raise AFDC benefits. In effect, when AFDC benefits are raised, the Federal Government gets the benefit of lowered food stamp payments and pays a smaller percentage of overall costs of assisting AFDC families. A table illustrating this point is attached to my testimony.

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*Page 346, Report WMCP 99-2, Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means, February 22, 1985.

I urge the Subcommittee to work with your colleagues on the Ways and Means Committee to design a way to keep Federal support for low income families with children at a constant percentage in order to make it possible for states to give such families the full benefit of any AFDC increases the states can make.

Conclusion:

USDA Food Assistance Programs have made a great contribution toward promoting the general welfare, safeguarding the health and well-being of the nation's population, and raising levels of nutrition of low-income households. The programs are some of the most controversial of our benefit programs, but they are indeed essential programs for those in need.

I believe the Oklahoma Department of Human Services is administering these programs well. We look forward to the results of this year's deliberation in Congress on the reauthorization of the programs.

We ask finally that you and USDA give us reasonable lead time--at least 60 days and preferably 90--to implement the changes you make. If the Congress were to deadlock over the reauthorization bill and make the program dependent on short-term continuing resolutions, confusion, added administrative costs and even hardship to recipients could result. We trust that you and your colleagues will not let that happen.

(Attachments follow:)

STATE OF OKLAHOMA
DEPARTMENT OF HUMAN SERVICES

AFDC STANDARDS OF ASSISTANCE

	1 Child	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons	9 Persons or More
Food	78	146	208	272	325	388	434	485	533
Clothing	17	34	51	68	85	102	119	136	153
Basic Drugs - Band-Aids, Alcohol, Tylenol, Cough Medicine, etc.	3	6	9	12	15	18	21	24	27
Personal Items - Soap, Shampoo, Toilet Tissue, Toothpaste, etc.	3	6	9	12	15	18	21	24	27
Shelter (Maximum)	25	120	144	168	192	216	240	264	288
Utilities	20	95	100	105	110	115	120	125	130
Household Equipment - Kitchen Utensils, Bedding, Minimal Furniture Replacement	4	8	12	16	20	24	28	32	36
Transportation	5	10	15	20	25	30	35	40	45
TOTAL AFDC Budgetary Need	155	425	548	673	787	911	1018	1130	1239
Minus Food Stamps Allotment	14	61	77	90	105	131	139	164	190
Net AFDC Budgetary Need	141	364	471	583	682	780	879	966	1049
Gross Income Maximum (185% of Net AFDC Budgetary Need)	260	673	871	1078	1261	1443	1626	1787	1940
Payment Standard (60% of Net AFDC Budgetary Need)	84	218	282	349	409	468	527	579	629

Approved by Oklahoma Commission for Human Services, December 4, 1984

EXAMPLE: $40 increase in AFDC monthly payment for household size 2, 3 or 6

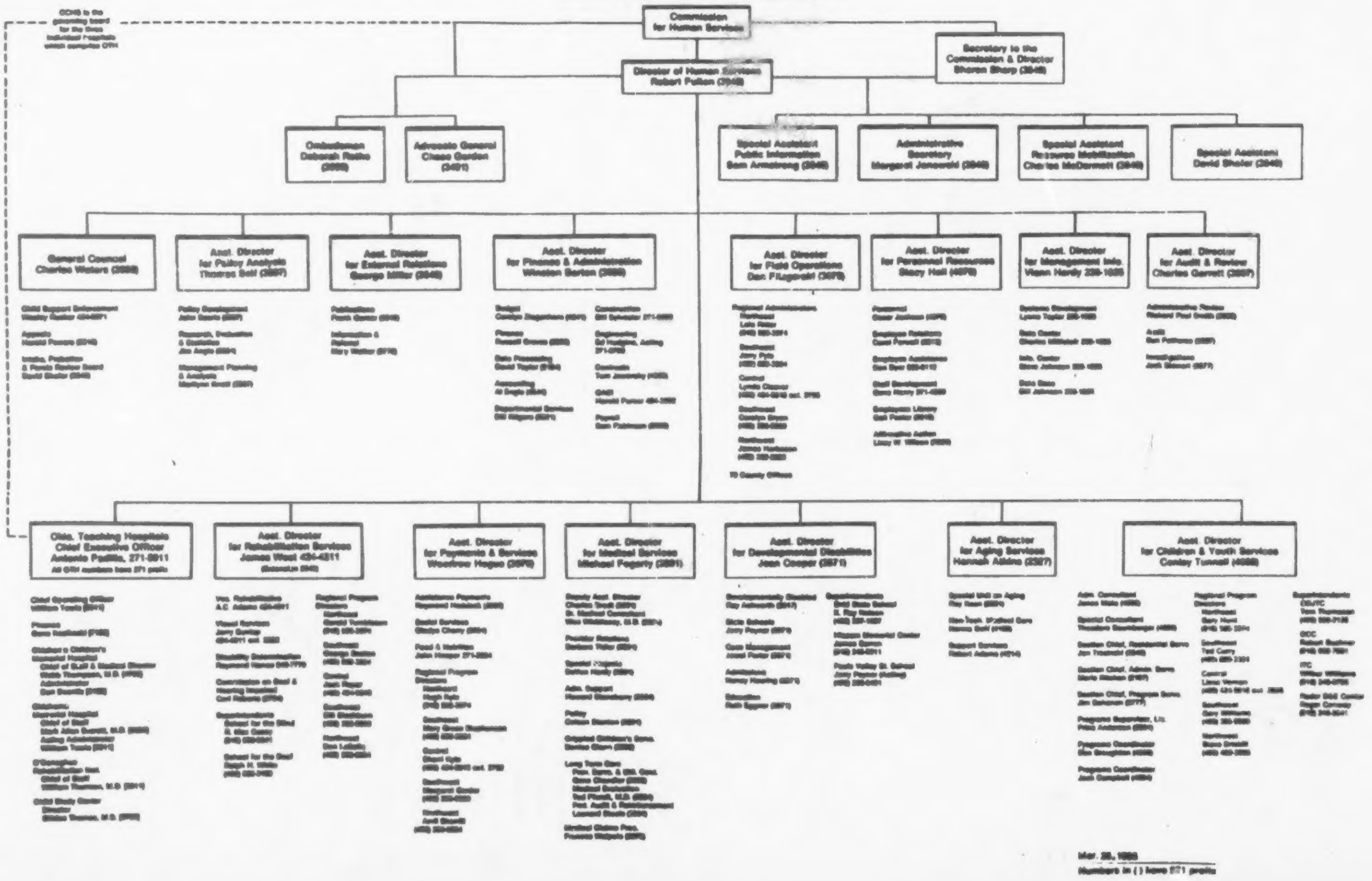
Household Size	Old Amount AFDC	New Amount AFDC	* State Cost of Increase	* Federal Cost of Increase	Old Food Stamp Benefit	New Food Stamp Benefit	Food Stamp Difference	Net Increase To Client	Net State Cost	Net Federal Cost
2	218	258	16.61	23.39	106	94	-12	28	16.61	11.39
3	282	322	16.61	23.39	190	178	-12	28	16.61	11.39
6	468	508	16.61	23.39	301	289	-12	28	16.61	11.39

*AFDC Federal Match for Oklahoma is 58.47%.

DEPARTMENT OF HUMAN SERVICES
EXPENDITURES AND BUDGET REQUIREMENTS
(Dollars are shown in millions)

PROGRAM OR ACTIVITY	FY-82 ACTUAL	FY-83 ACTUAL	FY-84 ACTUAL	FY-85 APPROPRIATION	FY-85 REVISED WORK PROGRAM	FY-86 REQUEST
Services To Children & Youth	$58.9	$67.6	$61.9	$64.0	$66.0	$69.8
Developmental Disabilities	38.4	43.9	47.2	53.0	53.6	60.0
Rehabilitative Services	26.5	28.2	25.4	27.1	27.4	32.2
School For The Blind	2.6	3.0	3.0	3.0	3.1	3.2
Services To The Deaf & The Hearing Impaired	4.3	4.8	4.2	4.2	4.3	4.6
Disability Determination Unit	5.7	6.8	6.3	9.2	7.9	8.3
Medical Services Administration	380.2	415.9	438.0	468.7	465.4	497.5
Medical Claims Processing & Review	1.7	3.4	3.7	4.2	4.6	5.2
Assistance Payments & Field Operations	218.8	227.8	231.4	237.5	234.8	250.5
Services To The Aging	17.9	18.1	19.2	19.7	21.1	24.7
Administration	36.9	39.6	30.7	29.3	30.2	33.1
Management Information Division	9.3	12.4	11.8	11.9	12.1	15.8
Oklahoma Teaching Hospitals	125.4	149.5	146.1	159.0	159.0	160.1
Sub-Total of Expenditures	$926.6	$1,021.0	$1,028.9	$1,090.8	$1,089.5	$1,165.0
Medicare Payments	22.0	20.7	.1	-	-	-
Capital & Special Projects	27.1	17.6	4.4	11.3	12.1	15.6
Total Expenditures	$975.7	$1,059.3	$1,033.4	$1,102.1	$1,101.6	$1,180.6
Value of Food Stamps	75.7	101.8	118.9	126.7 (est.)		134.5 (est.)
Value of Donated Commodities	23.4	39.5	38.5	44.3 (est.)		44.3 (est.)
Total Value of Programs & Activities	$1,074.8	$1,200.6	$1,190.8	$1,273.1		$1,359.4

Oklahoma Department of Human Services


OCHS is the governing board for the three individual hospitals which comprise OTH
Commission for Human Services
Secretary to the Commission & Director Sharon Sharp (3646)
Director of Human Services Robert Fulton (3646)
Ombudsman Deborah Ratho (3688)
Advocate General Chase Gordon (3401)
Special Assistant Public Information Sam Armstrong (3646)
Administrative Secretary Margaret Janowski (3646)
Special Assistant Resource Mobilization Charles McDermott (3646)
Special Assistant David Shafer (3646)
General Council Charles Waters (3688)
Asst. Director for Policy Analysis Thomas Self (3697)
Asst. Director for External Relations George Miller (3646)
Asst. Director for Finance & Administration Winston Barton (3686)
Asst. Director for Field Operations Dan Fitzgerald (3678)
Asst. Director for Personnel Resources Stacy Hall (4678)
Asst. Director for Management Info. Vann Hardy 239-1020
Asst. Director for Audit & Review Charles Garrett (3697)
70 County Offices
Okla. Teaching Hospitals Chief Executive Officer Antonio Padilla, 271-5911
All OTH numbers have 271 prefix
Asst. Director for Rehabilitation Services James West 424-4311
Asst. Director for Payments & Services Woodrow Hogue (3676)
Asst. Director for Medical Services Michael Fogarty (3281)
Asst. Director for Developmental Disabilities Jean Cooper (3671)
Asst. Director for Aging Services Hannah Atkins (2327)
Asst. Director for Children & Youth Services Conley Tunnell (4088)
Numbers in ( ) have 271 prefix

STATE-LOCAL PERSPECTIVES

What Happened to the Federal/State Partnership?

Robert Fulton and Ray Scott

At a meeting we both attended recently with other state human service officials, a veteran from a southern state declared, "I have been involved with these programs for twenty-two years. Relationships between the federal and state governments are by far the worst I've ever seen."

The unanimous opinion of representatives of the nine states from three different federal regions at this meeting was that this bleak assessment is completely accurate. Supporting evidence on which there was near unanimous agreement at that meeting included the following:

- The U.S. Department of Agriculture (USDA) shows little concern for what its frequent changes in regulations and policies mean for the states. There were twelve different sets of regulatory changes in the Food Stamp program in 1983.
- There is no longer even the semblance of a federal technical assistance function to help states build managerial capacities and comply with federal requirements.
- In the Medicaid program, almost the sole preoccupation of federal regional staffs is how to take money away from states. A similar—albeit somewhat less intense—agenda is being played out in the Aid to Families with Dependent Children's program.

As former "feds" who are now heads of state human service agencies, we want in this commentary to present our diagnosis of what has happened to the federal-state partnership and our thoughts on how the partnership can be revived.

It was not until the great expansion of federal domestic programs that began in the 1930s and reached its zenith in the early 1970s that federal initiatives began to strain seriously the capacities of state and local governments. As federal programs expanded, there arose in many quarters a concern about the capacities of state and local governments to manage the new programs.

During the 1960s and 1970s, legislation for many federal programs carried training, planning, and coordinative emphases and provided for earmarked funds to help state and local governments strengthen their capabilities to handle the programs. The accepted view from the federal side was that stronger state and local governments were needed to meet the challenges of an increasingly complex society and a rapidly growing portfolio of human service programs.

Not all the federal attempts to help state and local governments were appreciated by the latter nor were they all effective. Many state and local officials resented the sometimes patronizing attitude federal officials took toward the other levels of government. The key point, however, is that there was a clear recognition by the federal government of a responsibility to help state and local governments cope with the huge demands that expanding domestic programs had placed upon them. The rhetoric of the 1960s and 1970s was laced with terms such as "allied services," "capacity building," and "federal-state-local partnership."

By the early 1970s there were numerous signs that the partnership was in trouble. President Nixon attempted to consolidate many federal programs into a few large special revenue-sharing packages. The state and local governments feared that this was primarily a cost-shifting plan and opposed most aspects of it. Both the Nixon and Ford administrations made a variety of attempts to terminate funding for federal programs, including many of the capacity-building efforts provided for in federal legislation.

The Carter administration proceeded with a mixed message. One the one hand, it attempted some major expansion initiatives in domestic programs, such as its 1977 welfare reform proposal. On the other, it sought to restrain growth in federal spending and reduce costs in order to help bring down inflation and interest rates, both of which reached historic peacetime highs during the Carter years.

The Reagan administration, with its agenda of reducing the domestic components of the federal government, represented a hastening of trends already underway, rather than a new era. Without question, however, it thrust the federal government substantially further toward an adversarial, as opposed to a partnership, relationship with state and local governments.

In 1981, President Reagan, with the help of nearly all Republicans and many Democrats in Congress, succeeded in making a major shift in the mix of federal spending between domestic programs and national defense. The cuts in domestic programs took effect quite rapidly, but three years later these cuts—totaling about $60 billion annually—are approximately equal to the increases in defense spending and the interest costs resulting from revenue reductions pushed through by President Reagan. The net result is that federal spending as a percentage of the gross national product has not declined at all during the Reagan years.

Moreover, the tax changes achieved by the president in 1981 will have even more substantial effects on the federal support of domestic programs over the longer term than will the spending cuts. The president succeeded in getting a 25 percent cut in federal income-tax rates, spread over a period of three years, as well as adoption of indexing tax brackets, deductions, and so on, so that the federal government will not benefit in the future from inflation in the economy in terms of increased revenues as it has in the past.

These cuts in federal domestic spending were accompanied by extensive realignment of federal grant programs, including consolidation of a large number of programs into several new block grants and extensive deregulation of programs. For instance, federal regulations for social services programs funded under Title XX of the Social Security Act were reduced from about 75 sections to 3 sections.

It would be naive to advocate a return to the good old days of the 1960s and early 1970s. Nevertheless, there is an urgent need for redefinition and revitalization of the partnership concepts that at one time characterized federal-state-local relationships. We need a new design for today and tomorrow, rather than a reincarnation of the old designs.

We see the following as key elements in the design for the future:

1. There must be reacceptance by presidents and the Congress, as well as clear communication to federal executive branch officials and employees, that:
   a. There is a shared responsibility among different levels of government for delivery of benefits and services to needy and vulnerable people of this land.
   b. The dream of neatly sorting out funding and program delivery responsibilities of the different levels of government is just that—a naive dream. Domestic program relationships will continue to resemble a marble cake much more than a layer cake. There must, however, be a continuous search for ways to reduce administrative burdens. For example, shifting the administrative responsibility for the Food Stamp program from USDA to Health and Human Services, along with "cash-out" of food stamps for the elderly, blind, and disabled, would be tremendous steps in the right direction.
   c. No level of government has a corner on talent, expertise, or wisdom, All levels of government must share in the search for improved effectiveness and efficiency, better program designs, and efforts to improve the productivity of the American people and the basic health and well-being of American society.
   d. Although federal agencies must take reasonable steps to ensure conformity to federal laws and regulations by state and local governments that administer federally assisted programs, it is neither appropriate nor necessary that there be an adversarial relationship among levels of government or that the federal government impose standards of performance that it cannot meet in its own directly administered programs. In this regard, the imposition of quality control error sanctions in the form of withdrawn federal funds should be ended. This poisons the relationship between federal and state governments and jeopardizes support for needy people.
   e. The federal government should lead and coordinate a comprehensive search for excellence in planning and delivering domestic programs. This should include incentives in federal aid programs for management improvement, program coordination, effectiveness and efficiency evaluations, and other emphases that will help improve the delivery of benefits and services.
2. State and local governments must recognize that a partnership relationship requires mutuality of commitment, competence, and perspective. State and local governments must accept the necessity of meeting reasonable standards of program performance and public accountability. Those levels of governments must also rise above parochialism regarding distribution of federal funds and recognize the need for interstate cooperation in improving program management.

In our judgment, these kinds of initiatives and understandings would provide movement toward a new plane in federal-state-local relationships. We must learn from the *past* and mobilize the best minds of the *present* in shaping a revitalized intergovernmental system for the *future*. ■

Robert Fulton is director, Oklahoma Department of Human Services. From 1977 to 1983 he was a staff member of the U.S. Senate Committee on the Budget. Ray Scott is director, Arkansas Department of Human Services. From 1979 to 1981 he was administrative assistant to U.S. Senator David Pryor.

STATEMENT OF W. W. HOGUE, ASSISTANT DIRECTOR FOR PAYMENTS AND SERVICES, OKLAHOMA DEPARTMENT OF HUMAN SERVICES TO SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION, COMMITTEE ON AGRICULTURE, U.S. HOUSE OF REPRESENTATIVES, OKLAHOMA CITY, OKLAHOMA, MARCH 22, 1985.

Thank you for allowing me the opportunity to provide this testimony concerning USDA Food Assistance Programs.

Categorical Eligibility:

One of the major issues to be considered during the reauthorization debates is the possibility of granting automatic eligibility for food stamps to any family or individual determined to be eligible for AFDC, Medical Assistance or Supplemental Security Income benefits.

HR 5151 developed by the Subcommittee and passed by the House last year contains a provision for categorical eligibility but it does not go far enough. In order to simplify administration and produce maximum administrative savings it is essential that states be given the option of using income and resource definitions for cash assistance programs for determining the amount of coupon allotments. As stated by Mr. Fulton, Oklahoma's experience with the Simplified Application Demonstration project shows conclusively that major administrative savings are achievable.

Job Search:

I recommend full funding for conducting Job Search activities and a simplified procedure for funding the effort. The amount of funding now offered to Oklahoma allows us to cover only 10 of our 77 counties. This means we are providing job search activities for only 45% of the individuals subject to that requirement. The others reside in one of our other 67 counties. In these 67 counties work registration is a meaningless paper exercise since nothing happens after registration. The work registration form is merely filed in the case record.

The process for obtaining monies from FNS to have a job search effort are very cumbersome. Excessive red tape is the reason Oklahoma is just now implementing job search in any county. In September 1982, Oklahoma applied to USDA for a job search contract. We were offered a contract in late spring of 1983. We declined the contract as USDA could assure continuation of the effort only through September 1983. USDA did offer job search money again in FY 1984, but Department of Human Services staff resources were already committed to other priorities and could not be pulled off to work on an application that might again lead to the dead-end encountered the previous year. Consequently, it was not until FY1985 that we finally were funded for the limited job search effort we are now initiating.

Error Rate Sanctions:

We are very much opposed to lowering the quality control tolerance level and to assessing penalties based on the value of coupons issued. The

5% error tolerance goal proposed in HR 5151 is a goal we hope and expect to attain in Oklahoma. Nevertheless, we are convinced it would be counter-productive to tie dollar sanctions to that goal.

We do feel that states must continue to make every effort to lower error rates and have no problem with Federal pressure to this end. In general, however, we are skeptical about the effectiveness and appropriateness of fiscal sanctions in achieving error rate reductions. Withholding administrative costs would often be counter-productive since it would lead, at least in this state and I am sure many others, to termination of workers and increased caseloads for those workers remaining.

Although federal agencies should take reasonable steps to ensure conformity to federal laws and regulations by state and local governments that administer federally assisted programs, it is neither appropriate nor necessary that there be an adversarial relationship among levels of government or that the federal government impose standards of performance that it cannot meet in its own directly administered programs. Quality control error sanctions in the form of withdrawn federal funds poisons the relationship between federal and state governments and jeopardizes support for needy people.

Monthly Reporting and Retrospective Budgeting:

I urge that you examine closely the problems states are having with monthly reporting and retrospective budgeting. Cost surveys done in Oklahoma have indicated that administrative costs resulting from monthly reporting and retrospective budgeting may be as high as 3½ million dollars per year in the Food Stamp Program alone. This process is extremely difficult and is itself the source of many quality control errors. We acknowledge that USDA has granted waivers to lessen the administrative burdens, and the State of Oklahoma has taken advantage of a number of such waivers. However, we are still requiring under USDA policy approximately 21,000 monthly income reports per month from a total of 101,000 households. I believe monthly reporting and retrospective budgeting should be made optional with the states.

Automated Systems:

Oklahoma has a state-administered program with statewide policies and procedures. Coupon issuance is primarily by mail; however, in a small number of situations, Authorizations to Participate are issued. Applications are processed in the 77 counties and, through a highly automated system, certifications are teleprocessed to the central office and coupons or ATP's are mailed.

With an automated system states must have sufficient lead time to update current computer systems when program requirements change. This involves:

1. Time to write detailed requirements to implement and program the changes,
2. Time to test the new programming changes,
3. Time to write and issue state manual material and,
4. Time to train county staff to implement the changes.

Many times Congress or the USDA has revised program rules or benefit levels without allowing adequate lead time for implementation to proceed smoothly. For example, last October the annual change in the Thrifty Food Plan was implemented for Oklahoma's total case load. Then in the second week of October we were informed that an additional change would be implemented for the Thrifty Food Plan effective November 1, 1984. (change from 99% to the TFP to 100%). We were pleased with the change; however, it did create many administrative problems with this unrealistic lead time for implementation.

Home Energy Assistance Payments:

FNS recently released the following policy interpretation dealing with Home Energy Assistance Payments.

> HEAP payments are excluded as income whether or not they are in the form of vendor payments. However if they are paid directly to the household, the household is entitled to the actual shelter expense or the standard utility allowance if otherwise eligible under Section 273.9(d)(6) of the regulations. If the HEAP payments are in the form of vendor payments, the household is not entitled to the actual utility expense covered by that payment under Section 273.10(d)(1) of the regulations. The household is also not entitled to the SUA if utility expenses are paid by vendor payment.

This interpretation causes inequity for clients living in states like Oklahoma who make HEAP payments to vendors. The food stamp benefits of such clients could be reduced because of receipt of HEAP. It also causes administrative burdens by disallowing use of the standard utility allowance. In Oklahoma, more than 90% of the recipients entitled to use the standard allowance elect to use it.

The food stamp law should make clear that households receiving HEAP continue to be entitled to claim shelter expenses for the amount billed and continue to be entitled to use the standard utility allowance.

Indian Commodity Program

Since its inception in Oklahoma, thirteen tribes have implemented the Commodity Distribution program covering low income tribal members in 64 of 77 Oklahoma counties. To date, approximately 4,000 Native American households are receiving commodities in lieu of food stamps. The Department of Human Services has received cooperation from most tribes in assuring that dual participation in the food stamp and commodity distribution programs does not occur.

We have some serious doubts about the wisdom of this move away from reliance on Food Stamps as the primary family nutrition support program of our nation.

One other criticism of this program concerns the high carbohydrate content of the commodity package. Due to the high incidence of diabetes among the Indian population, the amount of carbohydrate food items seems inconsistent with maintaining a controlled diet.

Administrative Block Grant:

The Reagan Administrations has proposed that a cap be placed on Federal administrative funding for the Food Stamp Program. The main problem we see with that proposal is that it would leave the states vulnerable to added costs brought about by Federal requirements with no financial participation in dealing with the effects of Federal policies.

Conclusion:

USDA Food Assistance Programs have made a great contribution toward promoting the general welfare, safeguarding the health and well-being of the nation's population, and raising levels of nutrition among the elderly, disabled and low-income households. The programs are some of the most controversial of our benefit programs, but they are indeed wonderful programs for those in need. The programs are working better now than at any time in the past. What is needed now is a strengthened Federal/State relationship based on common sense and concern for those whom we're trying to help.

STATEMENT OF JOHN D. HOOPER, PROGRAMS ADMINISTRATOR, FOOD AND NUTRITION, OKLAHOMA DEPARTMENT OF HUMAN SERVICES TO SUBCOMMITTEE ON DOMESTIC MARKETING CONSUMER RELATIONS AND NUTRITION, HOUSE COMMITTEE ON AGRICULTURE, OKLAHOMA CITY, OKLAHOMA MARCH 22, 1985

I appreciate the opportunity to provide testimony today to the Subcommittee and to express our appreciation, support and concerns regarding the Consumer Education Programs.

COMMODITY DISTRIBUTION (T.E.F.A.P.)

The Department of Human Services has operated this program since the President released funds for needy families in December 1981. We contract for distribution of commodities under this program with the Boards of County Commissioners in 76 of Oklahoma's 77 counties. Distribution in the remaining county is through agreements with community agencies and churches.

During the first six months of FY 1985, Oklahoma distributed 976,188 pounds of butter, 5,617,793 pounds of cheese, and 2,235,012 pounds of other commodities to a total of 2,836,080 people. This is, of course, not an unduplicated count. Unfortunately, our current records systems do not permit us to calculate accurately the number of individuals receiving nutritional support thru this program.

While all counties are participating in the T.E.F.A.P., only 17 counties are receiving the full range of items provided under the legislation. The remaining counties receive only cheese and butter. Many of these counties have requested the additional commodities for their people. This situation is very difficult to explain to the public and to county officials since Oklahoma is now experiencing higher rates of unemployment (8.2% - January 1985). We would like very much for there to be an increase in the allocation of the additional items sufficient to enable us to provide them to all counties.

Despite the popularity of the commodity program, there have been problems that have existed since 1981. At times, these problems have been a public relations nightmare. When the program first started there were relatively few guidelines from the national level. As legislation has been enacted continuing the program, steps have been taken to tighten the program and prevent fraud, waste, and abuse. We think introduction of income test was on appropriate action. However, the income guidelines vary nationwide from 185% of the poverty level to regions of 130% of the poverty level in this region. We believe the flexibility given states to set the income cut-off levels has actually reduced the availability of commodities to those who really need them. Obviously, more people can qualify at 185% than at 130%. I feel that there should be legislation to make eligibility the same nationwide.

Funding of administrative costs has, to a certain extent, been a problem. Oklahoma received $642,465 in administrative funds in FY 1984. Our ability to pay part of the costs of distribution has helped greatly in interesting counties in distributing the commodities. If the Federal money were to be exhausted or discontinued, the coverage and effectiveness of the program would be jeopardized.

Eligibility and verification requirements have created problems. Oklahoma has gone from essentially no guidelines in 1981 to the 130% of poverty income limit and to asking people to provide proof of income. This has been difficult. We support the continuation of income eligibility and verification requirements. This requirement has made some program operators drop out of the program but it has eliminated many complaints about higher income persons participating in the program.

CONSUMER AND NUTRITION EDUCATION

In Oklahoma, we have devoted a great deal of effort to nutrition and consumer education. We have a staff of full-time home economists who provide training for recipients in the use not only of food stamps and commodities to help them maximize the benefits of the program. We have made this effort a key part of helping the elderly, disabled, and other low income families to expand their purchasing power with the food stamp dollar.

Oklahoma is currently the only state incorporating a nutrition education program in our state plan of operations for the Food Stamp Program. Our staff has worked very closely with state and local health departments and other agencies in providing nutrition education.

The Food Stamp Program is, I believe, the most visible of all benefit programs. Food Stamps recipients are observed using their coupons in the local grocery stores and their purchases are scrutinized by many members of the general public. Wise use of food stamp benefits and getting the most out of the food dollar are the key objectives of our training program.

TESTIMONY OF

MARTIN A. DUKLER
DEPUTY COMMISSIONER FOR PROGRAMS
STATE OF TEXAS
DEPARTMENT OF HUMAN RESOURCES

I WANT TO THANK THE COMMITTEE FOR GIVING ME THE OPPORTUNITY TO ADDRESS YOU TODAY ON FEDERAL FOOD ASSISTANCE PROGRAMS. MY NAME IS MARTIN DUKLER. I AM THE DEPUTY COMMISSIONER FOR PROGRAMS FOR THE TEXAS DEPARTMENT OF HUMAN RESOURCES. THE AGENCY I REPRESENT IS THE SINGLE STATE AGENCY IN TEXAS RESPONSIBLE FOR MANAGEMENT AND PROVISION OF SOCIAL WELFARE SERVICES TO INDIGENT TEXANS.

THERE ARE TWO AREAS TO WHICH I WOULD LIKE TO ADDRESS MY REMARKS TODAY--THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM AND THE FOOD STAMP PROGRAM. BUT FIRST, I WOULD LIKE TO GIVE YOU SOME BACKGROUND ON TEXAS.

IN 1985 THE TEXAS POPULATION IS ESTIMATED TO BE OVER 16 MILLION PEOPLE. NEARLY 19 PERCENT OF THE POPULATION IS CONSIDERED TO BE LIVING AT OR BELOW THE POVERTY LEVEL. NEARLY 25 PERCENT OF THE POPULATION IS CONSIDERED TO BE LIVING AT OR BELOW THE GROSS ELIGIBILITY LIMITS FOR FOOD STAMPS. LESS THAN HALF OF THE POTENTIALLY ELIGIBLE FOOD STAMP POPULATION IS RECEIVING FOOD STAMPS OR BENEFITS FROM THE EMERGENCY FOOD ASSISTANCE PROGRAM. OVER THE PERIOD 1980 TO 1985 THERE HAS BEEN A 14 PERCENT INCREASE IN THE TEXAS POPULATION, A 43 PERCENT INCREASE IN THE POVERTY POPULATION AND ONLY AN 8 PERCENT INCREASE IN THE INDIVIDUALS RECEIVING FOOD STAMPS. FINALLY, WHILE THERE HAS BEEN MINIMAL GROWTH IN FOOD STAMP PARTICIPATION, THE ADMINISTRATIVE COST PER CASE HAS INCREASED 75 PERCENT.

THIS INFORMATION GIVES US SEVERAL INSIGHTS. WHILE THE FEDERAL FOOD PROGRAMS HAVE A LARGE RATE OF PARTICIPATION AND A LARGE PRICE TAG, A STRONG CASE CAN BE MADE THAT THEY HAVE NOT PROVIDED THE ALLEGED "SAFETY NET" FOR THOSE IN NEED. MANY PEOPLE HAVE FALLEN THROUGH AND ARE FAILING TO RECEIVE THE NUTRITIONAL ASSISTANCE NEEDED TO PROMOTE BASIC HEALTH. YEARS AND YEARS OF STUDY HAVE PROVEN THAT INADEQUATE NUTRITION BY THE LOW INCOME POPULATION RESULTS IN LONG TERM PUBLIC COSTS IN HEALTH CARE AND OTHER SOCIAL PROGRAMS.

FOR ALL THE GOOD INTENTIONS THAT CONGRESS HAS HAD IN MODIFYING THE PROVISIONS OF THE FOOD STAMP PROGRAM TO IMPROVE ITS EFFICIENCY, THE NET RESULT HAS BEEN A DRAMATIC INCREASE IN UNIT COST WITH NO REAL INDICATION OF EFFICIENCY GAINS OR OVERALL PROGRAM EFFECTIVENESS.

I WOULD LIKE TO ADDRESS SEVERAL ISSUES RELATED TO THE TWO FEDERALLY SUPPORTED PROGRAMS THIS COMMITTEE IS STUDYING. FIRST, I WOULD LIKE TO DISCUSS THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP).

IN TEXAS, THE TEFAP PROGRAM REACHES OVER 1.5 MILLION PEOPLE. MOST OF THIS GROWTH OCCURRED DURING FISCAL YEARS 1983 AND 1984. IN 1983 THE PROGRAM SERVED 360,000 INDIVIDUALS. BECAUSE OF THE ACCESSIBILITY OF BENEFITS, RELATIVE SIMPLICITY AND IMMEDIATE ISSUANCE OF FOOD ITEMS, TEFAP HAS PROVED TO BE AN INVALUABLE RESOURCE FOR THOSE WHO ARE IN NEED OF LIMITED EMERGENCY ASSISTANCE.

THE TEXAS LEGISLATURE HAS RECENTLY COMPLETED A STUDY OF EMERGENCY FOOD NEEDS AND HAS FOUND THAT FOOD BANKS IN TEXAS ARE HAVING TO REJECT 20,000 REQUESTS FOR EMERGENCY FOOD EACH MONTH DUE TO INADEQUATE RESOURCES. THIS IS DURING A PERIOD WHEN THE FOOD DISTRIBUTED BY THESE FOOD BANKS HAS INCREASED OVER 300 PERCENT.

THE FACT THAT THIS "TEMPORARY" PROGRAM HAS BEEN IN EXISTENCE SINCE 1981 AND GIVEN THE PHENOMENAL DEMAND AND UNMET NEED, THE ADMINISTRATION'S PROPOSAL TO ELIMINATE THE ADMINISTRATIVE SUPPORT FOR THIS PROGRAM RAISE SERIOUS QUESTIONS. TEXAS SUPPORTS THE CONTINUATION OF THIS VITAL PROGRAM. WITH ITS CONTINUATION, THERE ARE ISSUES RELATED TO COMMODITY AVAILABILITY AND ADMINISTRATION THAT SHOULD BE NOTED.

THE ADMINISTRATIVE FUNDING LEVEL IS INADEQUATE. CURRENT ALLOCATIONS PROVIDE STATES WITH MINIMUM RESOURCES TO REIMBURSE NON-PROFIT AGENCIES FOR THEIR EXPENSES ASSOCIATED WITH THIS PROGRAM. FEDERAL RULES ALLOW FOR ADMINISTRATIVE REIMBURSEMENT OF UP TO 5 PERCENT OF THE VALUE OF THE FOOD PRODUCTS DISTRIBUTED. LOCAL COMMUNITY AGENCIES ARE NOTORIOUS FOR THEIR ABILITY TO OBTAIN COMMUNITY SUPPORT FOR THESE SERVICES. HOWEVER, IT IS NOT REALISTIC TO ASSUME THAT THESE AGENCIES CAN SECURE DONATIONS OF TRANSPORTATION, WAREHOUSING AND ACCOUNTING SERVICES ADEQUATE TO MEET THE STRINGENT ACCOUNTABILITY EXPECTATIONS OF THE U.S. DEPARTMENT OF AGRICULTURE. THE ALLOCATION TO TEXAS FOR FISCAL YEAR 1985 IS $3.2 MILLION. CONSERVATIVE

ESTIMATES ARE THAT THE STATE WILL BE SHORT $650,000. EXPECTING LOCAL AGENCIES AND STATE AGENCIES TO FINANCE INCREASING SHARES OF THIS PROGRAM IS UNREASONABLE.

IN 1981, WHEN THE PROGRAM BEGAN, THE DEPARTMENT OF AGRICULTURE'S INTEREST SEEMED TO BE IN HOW FAST STATES COULD MOVE THE BUTTER AND CHEESE WHICH WERE COLLECTING DUST IN STORAGE. NO ACCOUNTABILITY EXPECTATIONS WERE PLACED ON STATES AND NO ADMINISTRATIVE RESOURCES WERE PROVIDED. THERE WERE ALSO FEW RECIPIENTS. SINCE THEN, THE DEPARTMENT OF AGRICULTURE HAS LAYERED ACCOUNTABILITY REQUIREMENTS ON THE STATES. SOME OF THESE INCLUDE, THE REQUIREMENT TO REVIEW CONTRACTORS FOOD DISTRIBUTION RECORDS AND CLAIMS, LIABILITY FOR SPOILED FOOD EVEN WHEN THE SPOILAGE IS DUE TO THE DISTRIBUTION OF OUTDATED PRODUCT, RECORD KEEPING AND REPORTING ON RECIPIENTS SERVED AND SO ON. THESE REQUIREMENTS ON THE SURFACE ARE NOT IMPROPER; WITHOUT ADMINISTRATIVE REIMBURSEMENT, THEY ARE, HOWEVER, UNACCEPTABLE.

TEXAS IS FULLY SUPPORTIVE OF FEDERAL INITIATIVES TO REDUCE THE INVENTORY OF SURPLUS FOODS WAREHOUSED AT FEDERAL EXPENSE. TEXAS SUPPORTS THE PROVISION OF EMERGENCY FOOD RELIEF TO LOCAL FOOD AGENCIES AND ONLY PARTIALLY REIMBURSING THEM FOR THE COST OF THAT DISTRIBUTION. TEXAS SUPPORTS ACCOUNTABILITY EXPECTATIONS BEING APPLIED TO LOCAL AGENCIES TO MEET FEDERAL INTERESTS BUT ONLY IF SUCH ACCOUNTABILITY IS ADEQUATELY FINANCED. IN LIEU OF SUCH FINANCING, DEPARTMENT OF AGRICULTURE RULES SHOULD BE REMOVED.

A SECOND AREA OF CONCERN IS OVER THE FOOD PRODUCTS DISTRIBUTED. CHEESE AND BUTTER ALONE ARE A LOUSY DIET FOR SOMEONE WHO IS HUNGRY. FOOD BANKS DO AN INCREDIBLE JOB SECURING AND DISTRIBUTING OTHER FOOD PRODUCTS. USDA PROVIDES STATES WITH LIMITED SUPPLEMENTS OVER THE CHEESE AND BUTTER THROUGH WHAT THEY CALL BONUS ITEMS. THE AVAILABILITY OF THESE BONUS COMMODITIES IS ERRATIC AND FAR BELOW THE NEED. IN FEBRUARY, TEXAS DISTRIBUTED ITS ENTIRE BONUS ALLOCATION TO 78 OF ITS 254 COUNTIES. THE MARCH ALLOCATION IS TARGETED FOR 117 COUNTIES. IT IS DIFFICULT FOR LOCAL AGENCIES TO PLAN FOR WAREHOUSE SPACE AND DISTRIBUTION WHEN THERE IS LITTLE CONTROL OVER WHAT AND WHEN THEY WILL RECEIVE. THESE PRODUCTS ALSO DO NOT TAKE INTO CONSIDERATION THE CULTURAL MIX OF THE POPULATION.

ADDING TO THESE COMPLICATIONS ARE THE REQUIREMENTS TO ORDER PRODUCTS THREE MONTHS IN ADVANCE; ORDERS MUST BE IN RAILROAD BOX CAR LOTS THEREBY SHIFTING REDISTRIBUTION EXPENSES TO THE STATES; SHIPMENTS ARE RECEIVED WITHOUT PRIOR NOTIFICATION CAUSING DIFFICULTY IN PLANNING; AND SHIPPERS HAVE THE OPTION TO SHIP ANY TIME DURING A TWO WEEK PERIOD, MAKING IT DIFFICULT TO CONTROL WAREHOUSE SPACE COSTS AND PLAN FOR THE DISTRIBUTION OF FOOD TO CLIENTS.

THERE IS NO QUESTION OF THE NEED FOR THIS PROGRAM. IT APPEARS THAT FROM BOTH A STATE AND NATIONAL PERSPECTIVE IT HAS TREMENDOUS PAYOFFS. WE RECOGNIZE THAT THE PROGRAM IS A YOUNG ONE COMPARED TO OTHERS. WE RECOMMEND, HOWEVER, 1) THAT THE PROGRAM BE REAUTHORIZED; 2) THAT THE LEVEL OF ADMINISTRATIVE REIMBURSEMENT BE SUSTAINED AT 5 PERCENT OF LEVEL OF FOOD PRODUCT DISTRIBUTED BUT THAT THE STATE GRANT BE BASED ON ACTUAL AMOUNTS DISTRIBUTED; 3) THAT

FEDERAL ACCOUNTABILITY EXPECTATIONS BE EITHER SUSPENDED OR THAT STATES AND LOCAL AGENCIES BE REIMBURSED FOR THE COSTS ASSOCIATED WITH THOSE EXPECTATIONS; AND 4) THAT THERE BE SIGNIFICANT CHANGES IN THE FEDERAL FOOD DISTRIBUTION SYSTEM TO IMPROVE ITS EFFICIENCY TO PROVIDE MORE ADEQUATE AMOUNTS OF "BONUS" COMMODITIES BASED ON STATE DEFINED LEVELS OF NEED AND TO PROVIDE A MIX OF PRODUCTS BASED ON THE RACIAL MIX OF THE POPULATION.

A SECOND AREA I WOULD LIKE TO ADDRESS IS THE FOOD STAMP PROGRAM. THIS PROGRAM HAS BEEN THE PRINCIPAL FOOD AND NUTRITION ASSISTANCE PROGRAM FOR OVER A DECADE. THE FACT THAT IT IS THE MAIN SOURCE OF FOOD FOR MILLIONS OF AMERICANS HAS BEEN DOCUMENTED REPEATEDLY. IF THERE IS A FAILURE IN THE FOOD STAMP PROGRAM IT IS A FAILURE TO CLEARLY DEFINE WHAT ITS OBJECTIVE IS. THE STATUTE DEFINING NATIONAL FOOD STAMP POLICY STATES IN PART..."IT IS HEREBY DECLARED TO BE THE POLICY OF CONGRESS...TO SAFEGUARD THE HEALTH AND WELL-BEING OF THE NATION'S POPULATION BY RAISING LEVELS OF NUTRITION AMONG LOW-INCOME HOUSEHOLDS. ...THE CONGRESS FURTHER FINDS THAT INCREASED UTILIZATION OF FOOD IN ESTABLISHING AND MAINTAINING ADEQUATE NATIONAL LEVELS OF NUTRITION WILL PROMOTE THE DISTRIBUTION...OF OUR AGRICULTURAL ABUNDANCES AND WILL STRENGTHEN OUR AGRICULTURAL ECONOMY."

NO ONE WILL DISPUTE ITS INTENDED PURPOSE. STATES FIND IT CURIOUS, HOWEVER, THAT THE PRINCIPAL FOCUS OVER THE PAST FEW YEARS HAS BEEN ON REDEFINING WHO IS POOR TO LIMIT PARTICIPATION, MAJOR EFFORTS TO CATCH THE CHEATERS, AND MASSIVE, EXPENSIVE EFFORTS TO ENSURE THAT THE FOOD STAMP PROGRAM OPERATES WITH FEW ERRORS EVEN IT IT COSTS MORE MONEY TO PREVENT ERRORS THAN IS SAVED THROUGH ERROR REDUCTION EFFORTS.

IF THE PROGRAM'S PRINCIPAL OBJECTIVES ARE TO MAKE LOW INCOME FAMILIES ELIGIBLE FOR FOOD AND NUTRITIONAL ASSISTANCE AND TO ASSIST THE AGRICULTURE INDUSTRY, IT IS NOT CLEAR WHY MOST OF THE STATUTE AND ENSUING REGULATIONS RELATE TO SECONDARY OBJECTIVES.

DO NOT MISINTERPRET THIS MESSAGE! TEXAS IS A SOLID SUBSCRIBER TO THE BELIEF THAT ONLY THOSE IN NEED SHOULD RECEIVE. TEXAS ALSO BELIEVES THAT ITS SERVICE PROGRAMS SHOULD OPERATE AT THE PEAK OF EFFICIENCY. STATES HAVE A STRONG INCENTIVE TO MINIMIZE ERROR AND INEFFICIENCY SINCE THESE WASTE STATE AS WELL AS FEDERAL RESOURCES WHEN NEITHER CAN AFFORD IT. STATES HAVE MADE MAJOR PROGRESS IN ERROR REDUCTION, FRAUD PREVENTION AND EFFICIENCY IMPROVEMENT. TEXAS, IN FACT, WAS RECOGNIZED LAST YEAR AS ONE OF THE NATIONAL LEADERS IN FRAUD PREVENTION. CONTINUED SUCCESS, HOWEVER, IS CONTINGENT ON SEVERAL INGREDIENTS.

FIRST, MOST STATE AGENCIES WHICH OPERATE THE FOOD STAMP PROGRAM ALSO OPERATE THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM AND MOST STATES DO SO WITH THE SAME STAFF TO MAXIMIZE EFFICIENCY AND REDUCE MANAGEMENT COSTS. THE MORE THESE PROGRAMS REQUIRE SEPARATE DEFINITIONS AND OPERATING PROCEDURES TO DETERMINE ELIGIBILITY, THE LESS LIKELY ARE FURTHER GAINS IN EFFICIENCY. IT IS IMPERATIVE THAT THE INGREDIENTS FOR HOUSEHOLD ELIGIBILITY

DETERMINATION BE COMMON BETWEEN THE AFDC AND FOOD STAMP PROGRAM. THAT IS NOT TO SAY THAT THE INCOME AND RESOURCE THRESHOLDS NEED TO BE THE SAME. THE DEFINITIONS AND PROCEDURAL REQUIREMENTS MUST BE.

SECOND, SINCE 1981 THE NUMBER OF CHANGES IN STATUTE AND REGULATION IN THE FOOD STAMP PROGRAM HAVE BEEN ASTRONOMICAL. THE HANDBOOK TEXAS PROVIDES TO ITS FIELD STAFF HAS HAD TO BE MODIFIED 113 TIMES OVER THE PAST FOUR AND A HALF YEARS. THESE CHANGES MAY HAVE RESULTED IN DESIRED FEDERAL POLICY, BUT IT HAS BEEN AT A SIZEABLE ADMINISTRATIVE COST. THERE DOES SEEM TO BE SOMETHING INCONSISTENT WHEN FEDERAL POLICY INCREASES ADMINISTRATIVE COSTS BY A FACTOR OF FIVE OVER BENEFIT LEVELS.

OF PARTICULAR NOTE ARE SEVERAL SPECIFIC ISSUES. THE CONTINUED REQUIREMENT FOR A MONTHLY REPORTING AND RETROSPECTIVE BUDGETING SYSTEM CONTINUES TO FLY IN THE FACE OF FEDERAL ANALYSIS WHICH INDICATES THAT THE REQUIREMENT NOT ONLY DOES NOT REDUCE OVER PAYMENT, IT INCREASES ADMINISTRATIVE EXPENSES AND DETERIORATES CLIENT SERVICE. THE STATE STRONGLY SUPPORTS THE PROVISION IN H.R. 5151 INTRODUCED LAST SESSION BY MR. PANETTA WHICH MAKES MONTHLY REPORTING AND RETROSPECTIVE BUDGETING OPTIONAL.

THE ADMINISTRATION'S PROPOSAL TO REQUIRE FOOD STAMP RECIPIENTS TO WORK OFF THEIR BENEFITS IS STRONGLY REJECTED AS A VIABLE OR VALUABLE SOCIAL WELFARE POLICY. TEXAS STRONGLY SUPPORTS THE REQUIREMENT FOR PARTICIPATION IN WORK PROGRAMS FOR ALL THOSE INDIVIDUALS WHO ARE EMPLOYABLE. WORK-FARE, THOUGH INTENDED TO BE AIMED AT PROMOTING SELF-SUFFICIENCY, IS MERELY ANOTHER TOOL TO

REDUCE PARTICIPATION IN THE FOOD STAMP PROGRAM. OVER 30 PERCENT OF THE TEXAS FOOD STAMP HOUSEHOLDS ARE EARNING INCOME. THE WORK-FARE REQUIREMENT FOR THESE HOUSEHOLDS WILL RESULT IN SOME OF THEM LOSING THEIR EARNED INCOME AND BECOMING ELIGIBLE FOR HIGHER FOOD STAMP ALLOTMENTS. FOR THOSE WHO CONTINUE TO WORK, THE STATE ADMINISTRATIVE COST OF SECURING PART TIME WORK-FARE WILL SIGNIFICANTLY OUTWEIGH THE BENEFITS ACHIEVED. WITH AN AVERAGE ALLOTMENT PER HOUSEHOLD IN TEXAS OF $146 PER MONTH, THE AVERAGE HOUSEHOLD CAN ONLY BE REQUIRED TO WORK APPROXIMATELY 40 HOURS PER MONTH. WE EXPECT THAT IT WILL COST THE STATE AND FEDERAL GOVERNMENT AT LEAST $146 PER MONTH TO FIND THE PART TIME JOBS, MONITOR THE EMPLOYMENT AND HANDLE THE PAPERWORK.

IF INDEED THE CONGRESS SEEKS TO INCLUDE EMPLOYMENT AND SELF-SUFFICIENCY AS NEW POLICY OBJECTIVES FOR THE FOOD STAMP PROGRAM, I WOULD SUGGEST THAT THERE ARE FAR MORE EFFECTIVE APPROACHES. FOR EXAMPLE, IF YOU ASSUME THAT THE FOOD STAMP HOUSEHOLD, ONCE EMPLOYED WILL SPEND AT LEAST AS MUCH MONEY PER MONTH ON FOOD AS THEY DO WHEN THEY RECEIVE STAMPS, A VERY POWERFUL TOOL WOULD BE TO ALLOW THE STATE TO DIVERT THE FOOD STAMP COUPONS OR THEIR VALUE TO A PRIVATE EMPLOYER FOR UP TO SIX MONTHS. THE DIVERSION WOULD BE ON THE CONDITION THAT THE EMPLOYER WOULD PROVIDE AN ABOVE MINIMUM WAGE JOB AND TRAINING FOR THE RECIPIENT FOR 18 MONTHS. THE EMPLOYER WOULD RECEIVE ESSENTIALLY A PAYROLL SUBSIDY, THE STATE AND FEDERAL GOVERNMENT WOULD ENJOY BOTH SHORT AND LONG TERM COST AVOIDANCE.

STATES HAVE MANY VIABLE IDEAS. I URGE YOU TO GIVE STATES THE OPPORTUNITY TO MEET THESE NEW POLICY DIRECTIONS WITH LOCALLY BASED STRATEGIES.

THE ADMINISTRATION'S PROPOSAL TO CAP ADMINISTRATIVE SPENDING IN THE FOOD STAMP PROGRAM IS AN ILLOGICAL, SELFISH SOLUTION TO A MUTUAL PROBLEM. THE PREDOMINANT REASON ADMINISTRATIVE COSTS HAVE INCREASED IS BECAUSE OF THE MASSIVE AMOUNT OF REAGAN ADMINISTRATION-IMPOSED CHANGES, THE NATIONAL QUALITY CONTROL SYSTEM WITH ITS IMPENDING SANCTIONS, AND THE DRIVE FOR INCREASED AUTOMATION. SOME OF THESE CHANGES, PARTICULARLY RELATED TO AUTOMATION, STATES FULLY SUPPORT. THE COST OF ADMINISTRATION IS DIRECTLY RELATED TO THE DEGREE OF REGULATORY AND STATUTORY PRESCRIPTION. OVER-PRESCRIPTION, AS HAS BEEN THE CASE HISTORICALLY, AS IN HEALTH CARE, WILL RESULT IN COST ESCALATION. WITHOUT CONTROL OVER SUCH PRESCRIPTIONS, STATES WILL STRONGLY OPPOSE A REIMBURSEMENT FREEZE.

THE THIRD AREA I WANT TO SPEAK TO IS FOOD STAMP QUALITY CONTROL. AS I SAID BEFORE, STATES SUPPORT THE PROPOSITION THAT ERRORS COST MONEY AND SHOULD BE AVOIDED. STATES DO NOT, HOWEVER, SUPPORT THE EXISTING QUALITY CONTROL SYSTEM, THE SANCTION PROVISIONS, THE MODIFICATIONS TO THAT SYSTEM INCLUDED IN MR. PANETTA'S H. R. 5151 OR THE MORE RECENT PROVISIONS RECOMMENDED IN THE SENATE.

STATES CAN AND WILL CONTINUE TO IMPROVE THE ADMINISTRATION OF THE FOOD STAMP PROGRAM AND THEREBY REDUCE ERRORS. THE KEY TO CONTINUED SUCCESS, HOWEVER, DOES NOT LIE IN SUBJECTING STATES TO ARBITRARY AND PUNITIVE FISCAL SANCTIONS

WHICH DIMINISH RESOURCES THAT MAY BE NEEDED TO FINANCE THE VERY ADMINISTRATIVE IMPROVEMENTS ESSENTIAL TO ERROR REDUCTION. THE BEST WAY TO FURTHER THE REDUCTION OF ERRORS IS TO MAKE IMPROVEMENTS IN THE QUALITY CONTROL SYSTEM.

CURRENT DEFECTS IN THE POLICIES AND PROCEDURES GOVERNING QUALITY CONTROL REVIEWS, CORRECTIVE ACTION, AND SANCTIONS MUST BE REMEDIED IF THE STATES AND FEDERAL GOVERNMENT ARE TO HAVE CONFIDENCE THAT A FAIR, REASONABLE, AND EFFECTIVE MEANS OF IDENTIFYING AND CONTROLLING ERRORS EXISTS. MOREOVER, IF SANCTIONS ARE TO REMAIN A PART OF THE CONTROL PROCESS, RATHER THAN BE ELIMINATED, IT BECOMES EVEN MORE CRITICAL THAT THE EXISTING DEFICIENCIES BE CORRECTED. ANY LEGITIMACY OF SANCTIONS DEPENDS ON THEIR BEING REASONABLY RELATED TO AN ACCURATE DETERMINATION OF PAYMENT ERRORS OVER WHICH THE STATES HAVE CONTROL.

THIS IS NOT NOW THE CASE. THE CURRENT ARBITRARY AND PUNITIVE SANCTIONS SERVE ONLY TO FURTHER UNDERMINE THE JOINT RESPONSIBILITY STATES AND THE FEDERAL GOVERNMENT HAVE FOR THE ADMINISTRATION OF THIS PROGRAM.

THE PROVISIONS IN H.R. 5151, AND THE SENATE PROPOSAL THOUGH SOMEWHAT LOGICAL WITH CURSORY REVIEW, ASSUME THAT THE DATA COLLECTION, ANALYSIS AND CORRECTIVE ACTION PROVISIONS ARE ACCEPTABLE AND THEN EXTRACTS EVEN MORE PUNITIVE PENALTIES ON STATES FOR FAILURE TO MEET THIS MYTHICAL TOLERANCE LEVEL. THE RESULT OF THESE PENALTIES WILL BE STATES BEING FORCED TO PAY MORE IN PENALTIES THAN THEY SPEND IN ADMINISTRATION OF THE PROGRAM. SUCH PROSPECTS ARE NOT LIKELY. EVEN WITH THE CURRENT QUALITY CONTROL SYSTEM, STATES ARE REEXAMINING THE LEVEL OF EXPENDITURE NECESSARY TO MEET THE 5 PERCENT TOLERANCE LEVELS. WE ARE COMPARING THESE EXPENDITURES AGAINST THE PROJECTED LOSSES. THESE EFFORTS AND OUR CONSTANT DIALOG ON THE MERITS AND DEMERITS OF QUALITY CONTROL HAVE

TAKEN PRECIOUS TIME AND RESOURCES AWAY FROM WHAT THE STATUTE INDICATES IS THE PRINCIPAL OBJECT OF THE PROGRAM: LOW INCOME ASSISTANCE AND AGRICULTURAL SECTOR SUPPORT.

A NUMBER OF SPECIFIC CHANGES ARE RECOMMENDED. THESE CHANGES ARE SIMILAR TO THOSE INCORPORATED IN H.R. 1279 RECENTLY INTRODUCED BY REPRESENTATIVE MATSUI.

1) ESTABLISH MINIMUM QUALITY CONTROL POLICIES AND PROCEDURES. CURRENT POLICIES REQUIRE STATE REVIEW STAFF TO SPEND A DAY CHECKING THE WORK OF EACH CASE AN ELIGIBILITY WORKER SPENDS 45 MINUTES ON AND FEDERAL RE-REVIEW STAFF SPEND UNLIMITED AMOUNTS OF TIME ON THE SAME CASE. THERE IS NO DOUBT THAT ERRORS CAN BE FOUND WITH SUCH OPPORTUNITY FOR MICROSCOPIC REVIEW. A REVIEW PROCEDURE THIS INTENSE MAKES GOOD SENSE IF THE PURPOSE IS TO HELP PROGRAM MANAGERS DETECT AND CORRECT ERRORS, BUT IT BECOMES BLATANTLY UNFAIR WHEN PUNITIVE FISCAL SANCTIONS ARE ATTACHED TO THE RESULTS.

2) THE NATIONAL ERROR RATE MUST BE SENSITIVE TO AND ADJUSTED FOR LOCAL CONDITIONS. STATE OPERATIONS VARY IN MANY WAYS. STATES WHICH HAVE MAJOR RECOUPMENT OPERATIONS OR HIGHLY EFFICIENT ADMINISTRATIVE OPERATIONS RECEIVE NO CREDIT. STATES WITH HIGH POPULATION DENSITY OR PARTICIPATION RATES ARE PENALIZED OVER STATES WHO DO NOT TRY TO MEET THE NATIONAL OBJECTIVES--ABATING HUNGER AND HELPING FARMERS.

3) ERROR RATES MUST BE SENSITIVE TO AND ADJUSTED FOR FEDERALLY IMPOSED SERVICE DELIVERY CHANGE OR RAPID CASE LOAD GROWTH.

4) STATES SHOULD BE REWARDED IF THEY HAVE LOW ERRORS.

MR. CHAIRMAN, TEXAS IS A LONG TIME SUPPORTER OF THE FOOD STAMP PROGRAM. WE HAVE A HISTORY OF EXCELLENT MANAGEMENT AND DEDICATION TO PROPER BROKERAGE OF THE PUBLIC PURSE. WE ENCOURAGE YOU AND YOUR COMMITTEE TO SERIOUSLY REEXAMINE THE DEGREE TO WHICH FEDERAL POLICY HAS SWAYED FROM ITS ORIGINAL OBJECTIVES OF HELPING THE POOR AND THE FARMERS OF THIS COUNTRY TOWARDS BUILDING ADMINISTRATIVE LABYRINTHS SIMPLY TO PROVE WE MEAN WELL.

TEXAS MANAGES A FOOD STAMP PROGRAM PROVIDED THROUGH 500 OFFICES. WHEN MY STAFF TELL ME THEY WANT TO ISSUE NEW RULES OR REQUIRE NEW REPORTING, I TELL THEM THAT ALL THE WISDOM DOES NOT EXIST IN THE HEADQUARTERS. I WILL ONLY CONSIDER CHANGES TO POLICY WHICH COME FROM THOSE WHO DELIVER THE SERVICES. I WILL ONLY CONSIDER POLICY CHANGES IF THEY REINFORCE THE PROGRAM OBJECTIVES. AND, I WILL ONLY CONSIDER POLICY CHANGES WHICH ENABLE US TO DO OUR JOBS BETTER.

I DON'T SEE THE SAME PRINCIPLES APPLIED AT THE NATIONAL LEVEL.

Testimony

by

Dale J. Marsico, Executive Director

BRAZOS VALLEY COMMUNITY ACTION AGENCY

Mr. Chairman and members of the subcommitte on Domestic/ Marketing, Consumer Relations and Nutrition

By way of background my name is Dale Marsico and I am currently Executive Director of the Brazos Valley Community Action Agency - BVCAA is the community action program serving Brazos, Burleson, Grimes, Leon, Madison, Montgomery, Robertson, Walker, Waller, and Washington County, Texas. I am here to express my views and concerns to you as a representative of our agency and as a private citizen whose work has dealt with many of the federal, state and local programs that deal with hunger and nutrition and are part of the important work of this sub-committee.

Like it or not we live in extremely difficult and trying times. To be poor in America and to be poor in Texas is to face difficulty beyond measure and understanding. The lot of low income people in this society is frought with hardship. To be poor is to suffer from a lack of opportunity, a lack of adequate health care and most importantly a lack of basic and adequate nutrition. It is my belief that these problems and difficulties already large at the beginning of this decade are more difficult now and grown more difficult in the last five years. Any concerns about low income people, the problems of nutrition programs, and related social services in our society must be considered in the context of what has happened since 1980 and the challenges they present to all of us, especially those at the local level.

Prior to the passage of the Omnibus Reconciliation Act of 1981 - the federal government, over a 20 year period undertook the largest campaign in human history against hunger and malnutrition. The Kennedy/Johnson administrations brought into being many profound anti-hunger efforts. Subsequent administrations both Democratic and Republican expanded these efforts to include not only the needy members of our society but the working poor as well. Special programs with roots in that period developed into initiatives for special populations such as the Women, Infants and Children Program, as well as the nutrition programs for older Americans conceived in the Older Americans Act. These programs taken together were cornerstones of what President Johnson called not only the war on poverty but the gateway to a great society. In often quoted remarks, he believed that hunger and poor nutrition were handicaps and barriers to the upward mobility of low income people in our society. According to one of his biographers one of Lyndon Johnson's most repeated statements was that "our society can not truly be great if even one American suffers from hunger".

For various reasons the efforts of the 1960's and 70's to attack hunger, to provide adequate nutrition for all Americans and to provide a solid base for nutritional security have been dramatically altered and changed. In that respect, the Omnibus reconciliation is the watershed of two distinct political and social periods. An expansive policy in nutrition has been curtailed. An expansive eligibility program has been reversed. Special emphasis programs have been threatened with elimination.

What remains of the work of the 1960's and 1970's can best be divided along three lines of importance.

First and foremost in the general support programs for food assistance; is Food Stamps; secondly, specific forms of public programs, such as the Emergency Food Assistance Program, WIC and Special Programs for Older Americans and thirdly, special local services usually carried out by voluntary agencies, community groups and often church congregations.

No discussion concerning food assistance of any kind, provided by any Agency, State of local group can possibly make sense without discussing the unique role and importance of the Food Stamp Program. All of our efforts at our level are related to this program. Its future is clearly linked to our own, not only as a service provider but as concerned individuals.

Through many changes and difficulties; Food Stamps remains the only viable national welfare program uniform throughout our nation and throughout Texas. Rising dissatisfaction with the program exists for a variety of different reasons. From our unique perspective we believe the administration in Washington thinks that the program is ripe with Waste, Fraud and Abuse; Congress often appears that they believe its too expensive; our state government believes the program's over-regulated and difficult to administer, and the poor for whom it was designed appear to believe that the program has disappeared. Within this confusion lies the key factor of the nutritional crisis we face, at the local level. Progressive budgetary restrictions; enhanced eligibility criteria; and the abundance of regulation, coupled with the curtailment of benefits for the working poor have overloaded the ability of special support programs and the private sector to meet the nutrition needs of all Americans with nutritional needs. Consequently, programs designed to be supplements, are often lifelines against hunger. All of these issues are related to Food Stamps.

In no place can this be seen better or worse depending upon how a person looks at it than in our own operation and administration of the Emergency Food Assistance Program in the ten counties that surround and make up our agency. The Emergency Food Assistance Program, more commonly known as the Commodity Distribution Program in our area, has increased democratically in the last year from approximately 5,000 individuals per month to 37,000 individuals per month. The makeup of these individuals and the households in which they reside are extremely disturbing and cause for concern. Included with my testimony is a copy of a needs survey that was done from a random number of these individuals who participate in the program within the communities of our area. It is significant to note that many of these individuals are eligible for other programs and services of the federal government, but do not participate in them. Specifically, only 32% of the individuals participating in our program and in the survey also participated in the Food Stamp Program. Only 11% of the individuals participated in the Women, Infants and Childrens Program and only 7% participated in the Aide for Families with Dependent Childrens Program. We believe that this inability to access Food Stamps for whatever reason has created a large participation in this program.

As I am sure that you have heard, there are many difficulties and problems in the administration and distribution of commodities under the Emergency Food Assistance Program. These problems, in our case, center around the following issues:

Program Eligibility. All of us agree that we would like to see only the most needy members of our society participate in the commodity distribution program. However in our own state we have constructed an application and processing procedure, and rules and regulations that tend to make the commodity distribution program function as an entitlement program rather than a food distribution program. The rules and regulations in place for the program have caused many food banks not to participate as well as many other kinds of organizations that could assist in distribution.

Penalties. Penalties of course, are inherent with the eligibility criteria in place in our state and individuals and agencies providing services and commodities to those in need are held liable for improper distribution. Currently, the state allows local operators an error rate of 1% of the commodities received in a given year. This means that if a problem exists or there is a loss or spoilage, but does not exceed 1%, it can be waived. In excess of 1%, liability will occur. We understand this to be a USDA policy and we consider it to be unreasonable. In light of the fact that there are no direct administrative funds provided for the operation and management of eligibility certification or accounting services. We believe this policy should be reconsidered. Secondly, the cost of delivering commodities greatly exceeds what we call the famous 5% allowed under this program for distribution and storage costs. I am continually distressed by the fact that the Department of Agriculture as well as our own state agency at times refers to this 5% of the amount distributed as an administrative cost. In my case, the transporting of commodities from centralized state warehouses to distribution centers can not be construed as an administrative cost. In the other agencies that provide the services for commodity distribution in our state, similar situations are in play. This 5% is an important ingredient in the delivery of commodities to needy individuals. In that regard, I cannot help but emphasize that again, in my own case, this 5% makes up roughly 20% of the overall cost for managing the commodity distribution program in my area. First, the distribution system in play within my communities is somewhat different than that in others. When we took on this program, we agreed to take it on only in partnership with local government. For us, this was a distinct departure from the past and a distinct departure from the way in which most community action agencies have functioned. However, as you are aware the times require new initiatives and new partnerships. We initiated new agreements with the cities and counties throughout our area to assist us in the management of the commodity distribution program. Our agency provides eligibility, ordering and delivery of commodities to units of local government who in turn sponsor local distributions using the eligibility certifications we have developed and maintain. These local governments utilizing their own staff and programs deliver commodities to eligible individuals. Further, the local government in my area provides almost half of the storage cost for commodities that are kept on hand in case of shortages at various sites. The contribution of local government makes up approximately 30% of the total cost of delivering this program to area residents.

The other 50% of the cost to manage this program is born by our agency, specifically by the utilization of funds provided to us under the Community Servies Block Grant Program. Within the State of Texas the average utilization of Community Services Block Grant funds for th delivery of commodity distributon programs is as high as 70%. This is especially true where there is less commitment from local government toward the delivery of this program. However, almost every contractor engaged in the delivery of commodities and the provision of commodity distribution services utilizing local government at some level. This working partnership combines the best efforts of the federal government with local agencies and local governments. The lack of support from any one of these elements would make the delivery of the program impossible. With that in mind, I can not help to emphasize the important role that the Community Services Block Grant Program plays in this effort. Further, as you are probably aware, the administration has requested that this program be deleted as essentially duplicative of other efforts, specifically the Social Services Block Grant Program. However, there are no Social Services Block Grant dollars spent on this program in Texas and based upon the current funding plan in place for the Social Services Block Grant there aren't going to be any. Without CSBG there will be no mechanism for this distribution and there will be no program.

Additionally, there are other problems associated with the program, especially the ability to access what are considered items of short supply or limited supply, such a milk or honey, rice or flour. Often times, all that is available for us is cheese and butter, and there is no doubt that the delivery of these commodities is made more difficult in a climate with as many hot days as we have in our area. Definite efforts to improve packaging of some of the commodities is urgently needed. We recently received a large shipment of dry milk for distribution that was packaged in paper sacks that could not be stacked. Consequently, shipping became extremely complicated, costly and time consuming. The same is true of butter which is only usually wrapped in wax paper, and as soon as the temperature changes 1 degree it melts, then the paper becomes unraveled. Any plan for commodity distribution must include concerns of this nature.

At a time of diminishing food stamp benefits, areas with WIC projects have seen increased case load allocations. WIC has helped to fill the gap for segments of the population with nutritional need. WIC serves only those low income persons who are pregnant, infants or children under 5 - having clinically measured nutritional deficiency. WIC also mandates and requires a viable nutritional education curriculum. Such education is badly needed.

Our senior nutrition programs are designed to provide support for Older Texans. These programs administered by the Texas Departments of Aging and in a limited way by TDHR are important aspects in support for older people. A nutrition education program is required in these areas as well.

The emergency food systems in place in our community and state, operated by private groups and churches are among the most positive aspects of our time. They, like the other programs in place cannot function alone.

Although many of the issues we face in hunger and nutrition are difficult and trying, I believe that there is room for positive activity to alleviate some of our concerns. First, I believe that we must adopt a uniform policy concerning nutrition and the basic aspects of a nutrition program for all low income Americans. Such a policy should set some minimum standards for what is an acceptable level of nutritional support throughout our nation. This policy would serve as a guide to various state and local agencies in the implementation of all of their activities. I further believe that such a statement and policy would be the rallying point for private as well as voluntary efforts toward alleviating hunger in America. Secondly, it is my belief that we [redacted] should consider changing rulemaking and administrative procedures that impact existing nutrition programs. The consequences of changes in nutrition programs must be measured for their impact upon clients and the beneficiaries of these programs. The important aspects of nutrition programs and their regulations cannot be left only to the agency that promulgates those rules. [redacted] Congressional oversite into this impact analysis must always be maintained. I believe that the committee should oppose any further federal reductions in food stamp benefits, transfers or block grants program options for the food stamp program. The idea that food stamps could be operated more cheaply by the state without federal regulation are financing appealing, but questionnable. Only if food stamps remain a national entitlement can we be sure that food stamps will be available for the needs of all low income Texans. I believe that many of the problems that concern food stamps, such as: access to food stamps, benefits for food stamps and the quality of food stamp services are caused by the continuous change of regulations that affect the program. It is time that we stopped attacking the program for political reasons. Fourthly, I would hope that this sub-committee would take action at the earliest possible date to reform the current commodity distribution program. I believe we must decide whether or not the application procedure, distribution plan, and penalty provisions are applicable for a program of its size and scope. I favor open eligibility for the commodity program for any person age 65 or older and I believe that the broadest income criteria possible under the law should be permitted for those under 65, especially those recently unemployed and the working poor. I would recommend that the sub-committee consider recommending to the full committee and that an expanded nutrition education program should be undertaken in the course of any improvement in the quality of any educational system. I believe that nutrition education is as important to the future of our people, and especially low income people, as advanced mathematics, good grammatical structure or scientific education programs. Every dollar spent educating people about proper nutrition is a dollar that is returned to us in higher productivity, less public assistance and improved living conditions for all people.

Please accept again my appreciation for this opportunity to present my views on these areas. I know that we can count upon your efforts in the days ahead to examine each of these issues and concerns closely. Be assured that we are still committed to the basic goals and concerns that established nutrition programs for low income programs in general.

(Attachment follows:)

BRAZOS VALLEY COMMUNITY ACTION AGENCY, INC.

SURVEY OF TEMPORARY EMERGENCY FOOD

ASSISTANCE PROGRAM CLIENTS

POVERTY FROM THE INSIDE: A SURVEY OF THE POOR

INTRODUCTION

A major objective of any project to identify the needs of the poor is to incorporate the perspective of the poor themselves; that is, to find out what the poor say their problems are, and what problems they need help with.

THE INSTRUMENT

But the poor as a population group are unusually difficult to survey. First, there are problems of definition. What is "poverty"? Are there levels of poverty? Should assets, family resources, and family commitments be included in determining ones poverty status? Next, is the problem of identification. Some poor are virtually hidden from the public eye. Illiteracy and low proficiency in English place constraints on both the nature of the instrument and the method by which it is administered. Many of the poor live without the ties to society that enable various other groups to be identified and isolated for study. Finally, contacting the poor to solicit answers to personal questions can easily be unfruitful due to mistrust and the lack of incentives for them to cooperate. Mail questionnaires involve sampling and response problems, as do telephone surveys. For these reasons, face to face interviews were considered the most appropriate method for collecting responses from a sample of the poor in the BVCAA region. A copy of the interview instrument can be found in Appendix E.

Three alternative methods of sampling were considered: the city block approach, social service provider administered questionnaires, and service user interviews. The first two alternatives were rejected in favor of taking advantage of the sampling opportunity provided through the federal government's commodity distribution program, administered in the subject area by the BVCAA.

DESCRIPTION OF THE SAMPLE

All recipients of the U.S.D.A Commodity Distribution Program must have incomes falling below of the poverty level (adjusted for family size). BVCAA staff believe that most recipients have incomes considerably less than this cutoff level. Sample distribution sites were selected to represent as closely as possible the urban/rural settings and racial mixes found in the region. The seven sites at which interviews were conducted were located in:

BRAZOS County ...... College Station
WALKER County ...... Huntsville
MADISON County ..... Madisonville
WALLER County ...... Praire View
BURLESON County .... Somerville
.... Snook
.... Caldwell

Approximately 45 interviews were completed per site for a total of 300. In addition, 20 clients of various BVCAA programs were interviewed by BVCAA staff, giving a final count of 320 usable surveys. The sample is disproportionately high in females, and probably over-represents the aged population.

The majority of the recipients were positive or neutral about being interviewed. Less than 20 of those approached refused interviews. In five of the sites virtually every recipient arriving during the time interviewers were present were approached.

Race

The majority of the sample was black, with 35% white and 6% hispanic.

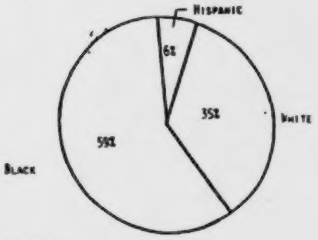


FIGURE 25
RACE OF RESPONDENTS

Age

The age distribution is charted on Figure 26. The obvious feature is the high proportion of the aged (61 or older).

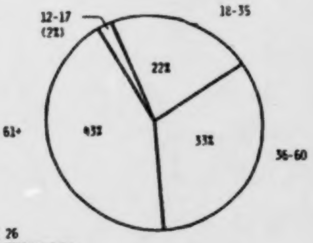


FIGURE 26
AGE OF RESPONDENTS

Sex

Seventy six-percent of the sample was female. This preponderance of women may be due to several reasons. Women are still typically charged with the responsibility of feeding the family, and may thus be more motivated to participate in food distribution programs. Also, females outnumber males in older segments of the population. The preponderance of female respondents is offset somewhat by the fact that the questions related to families rather than individuals.

Residential Status

Residents living within city limits were classified as town dwellers and those outside the city limits as country residents. On this basis 66 % were town dwellers and 34% were country residents. There was no major difference between the races in terms of residential location.

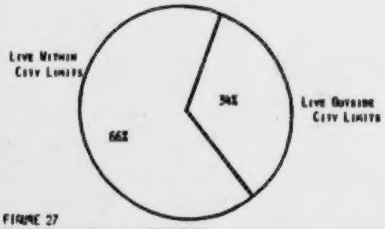


FIGURE 27
RESIDENTIAL STATUS OF RESPONDENTS

Rural/Urban

Two of the five counties, Brazos and Walker, in which surveys were taken each have 50% or more of their populations in urban areas and have been classified as "urban" for the purpose of the study.

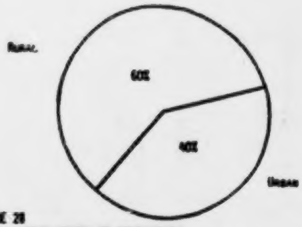


FIGURE 28
RURAL / URBAN STATUS OF RESPONDENTS

Household Size

A full one third of the recipients were living alone. Five percent were living in households of eight or more residents.

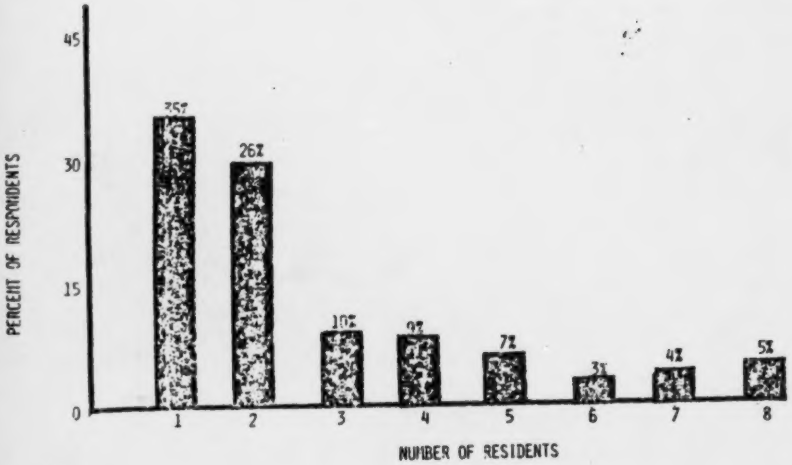


FIGURE 29
HOUSEHOLD SIZE DISTRIBUTION

Earned Income

Over two thirds were living in households where no resident was providing $50 or more towards support of the family (excluding welfare payents). There was no substantial variation between black and white households in this respect.

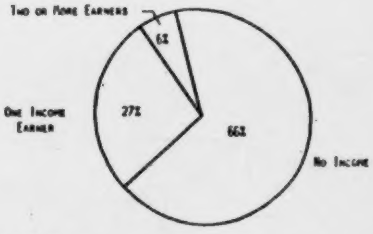


FIGURE 30
EARNED INCOME OF RESPONDENTS' FAMILIES

Education

Forty-eight percent of the recipients had less than tenth grade educations. Ten percent had had some college.

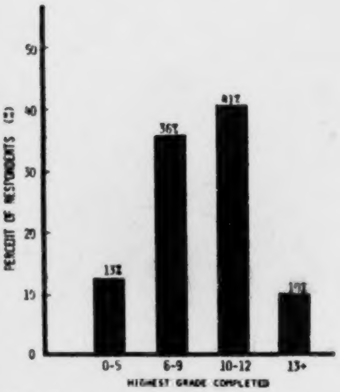


FIGURE 31
EDUCATION OF RESPONDENTS

Employment

Only twenty-five percent of the recipients held jobs, nine percent were part-time. It was twice as common for blacks to work part-time as for whites.

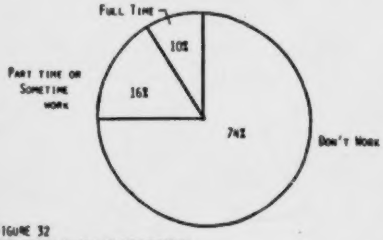


FIGURE 32
EMPLOYMENT STATUS OF RESPONDENTS

FINDINGS

Obtaining the Essentials

Five items were selected by the team as essential to the wellbeing of families. Recipients were asked if their families could obtain these items usually (or always), sometimes, or never.

FOOD. Approximately half those surveyed indicated their families were not able to obtain sufficient food some or all of the time.

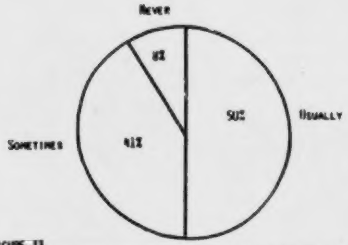


FIGURE 33
RESPONDENT FAMILY'S ABILITY TO PROVIDE SUFFICIENT FOOD FOR THE FAMILY

UTILITIES. Ten percent indicated their families were never able to meet the utility payments. The implications of this situation are unclear. Two possibilities are acccumulation of unpaid balances with pending disconnection, or sacrifice of other important purchases in order to maintain heat and light.

An additional 31% indicated they could only pay the utility bill sometimes.

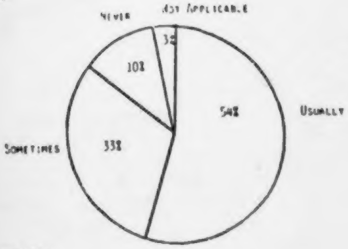


FIGURE 34
RESPONDENT FAMILY'S ABILITY TO MEET UTILITY COSTS

CAR REPAIRS. Cars or pickups are often essential for employment, shopping, health care and recreation.

Fiftyeight percent of the families surveyed owned cars or pickups that "run OK." Nineteen percent (one third of vehicle owners) indicated they could usually or always pay for car repairs.

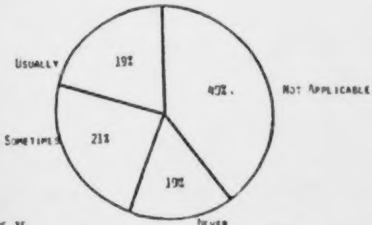


FIGURE 35
RESPONDENT FAMILY'S ABILITY TO MEET CAR REPAIR COSTS

CHILD CARE. The question of ability to pay for child care did not produce interpretable results.

SCHOOL SUPPLIES. Approximately 34 percent of the respondents had school age children. Half of these families could not provide their children with school supplies all the time.

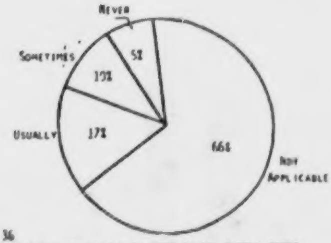


FIGURE 36
RESPONDENT FAMILY'S ABILITY TO MEET SCHOOL SUPPLY COSTS

PRIORITIES OF NEED

Perceived Needs

Two questions provided respondents with rather unstructured opportunities to state what they considered their needs to be and/or what they needed help with. The first question was intended to solicit material needs in addition to the five essentials already discussed above:
"Are there any other items or services your family really needs, but can't get?"

The second question was placed at the end of the survey and was designed to discover problems perhaps not specifically alluded to elsewhere, including non-material needs such as the need for family counseling:
"Does your family have problems of any kind that it could use some help with?"

In general the responses to both questions were sufficiently similar for them to be analyzed as responses to one question relating to needs. Combining the responses provided opportunity for stating a total of seven needs, although fewer than 30 respondents listed more than three needs.

The thirteen items or services most frequently indentified by respondents as needs are listed below in table 60.

TABLE 60
NEEDS MOST FREQUENTLY MENTIONED BY THE POOR

RANK	NEED AREA	FREQ.	%
1	Utility bills	65	21
2	Clothes	47	15
3	General medical care	41	13
4	Car, repairs, transp.	36	11
5	Food	36	11
6	House repairs	32	10
7	Physician care	31	10
8	Money	24	8
9	Dental care	20	6
10	Paying bills in general	18	6
11	Medicine	12	3
12	Job or job finding	11	3
13	Hospital care	8	3

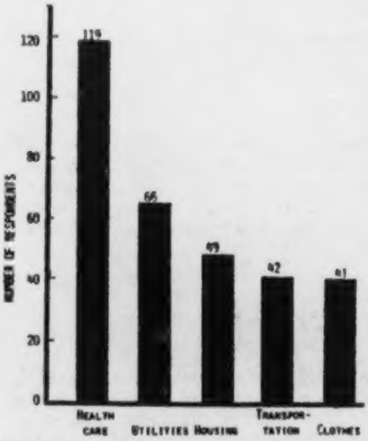


FIGURE 57
NEEDS MOST FREQUENTLY MENTIONED BY THE POOR

Less frequently mentioned needs ranged from health insurance, to a hearing aid, to "everything." The needs listed above were as reported by the commodity program recipients. By grouping the responses into broader categories more useful results can be obtained, as depicted in Table 61.

TABLE 61
NEEDS MOST FREQUENTLY MENTIONED BY THE POOR, GROUPED

RANK	NEED GROUP	FREQ.	%
1	HEALTH CARE (includes dental, hospital, home health care, medicine, mental retardation care, physician care, optical care and general medical care)	119	37
2	UTILITIES	66	21
3	HOUSING (includes rent payments, house payments, house repair, and help finding a house)	49	15
4	TRANSPORTATION (includes car payments, car repairs, a car or a better car, and help getting from place to place, regardless of the means)	42	13
5	CLOTHES	41	13

Health related concerns in general are now seen to be the most prevalent need. The results from other health related questions were asked and these results are analyzed in a later section.

Expenditure Priorities -- the $200 Question.

Any social service program dealing with services and payments in kind rather than transfer payments must deal with the problem of inappropriate help. It is a well established economic principle that the value to the beneficiary of aid given with strings attatched is lower than it would be if no restrictions applied. This problem is relevant to service programs such as WIC, professional services, and of course, the commodity distribution program.

In an attempt to learn more about the priorities of the poor, subjects were asked how they would allocate additional earnings (marginal income) if available. Recipients were presented with the following scenario. "Suppose your family made $200 more each month than what it does now. What would you spend the extra $200 per month on?" If the response obviously could not account for $200 per month, the repondents were prompted with: "Is there anything else you would spend the $200 per month on?" Each recipient was permitted up to three items of expenditure.

Apart from being a welcome break from questions dealing with demographics and problems, the question produced responses which are revealing. It needs to be borne in mind, however, that failure to keep to a well intentioned budget is a problem everyone struggles with.

All but one of the respondents specified at least one item for expenditure (which could include savings). Approximately two thirds identified two items of expenditure, and one third identified three.

While 119 respondents had expressed a need for some type of health care, only 95 indicated they would spend some of the extra $200 on health care. Possibly this is because many of the respondents are not accustomed to using their own money for health care, or that they consider $200 not a significant amount to apply to medical expenses, thus medical care is as out of reach as ever.

More food for the family was the clear priority, with 50% of the families indicating at least some of the money would be spent on food. Next in line were utilities, total health related services, and clothing. A complete listing is given below in Table 62.

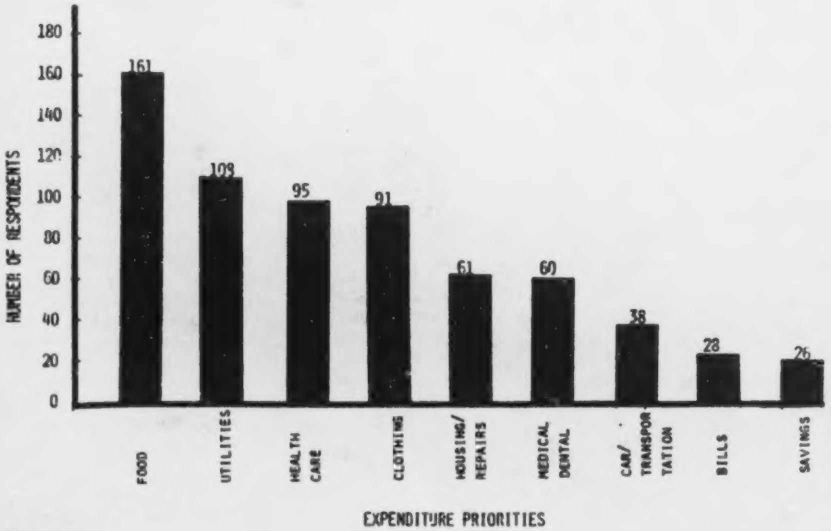


FIGURE 38
EXPENDITURE PRIORITIES OF THE POOR

TABLE 62
EXPENDITURE PRIORITIES OF THE POOR

RANK	ITEM	FREQ.	%
1	Food	161	50
2	Utilities	108	34
	Total health related	95	30*
3	Clothing	91	28
4	Housing/house repair	61	19
5	Medical/dental	60	19
6	Car/transportation	38	12
7	Bills	28	8
8	Savings	26	8
9	Specifically dental care	9	3
10	Specifically physicians	8	2
11	School supplies	6	2
12	Glasses/optical	5	2
13	Medicine	5	2
14	Health insurance	5	2
15	Home appliances	4	1

* Total of all health related needs: hospital care, medicine, dentists, etc.

Comparing the needs as expressed in the earlier questions with what recipients expressed they would spend the extra money on reveals some interesting contrasts (Table 63).

TABLE 63
EXPRESSED NEEDS COMPARED TO EXPENDITURE PRIORITIES OF THE POOR

ITEM	NEED EXPRESSED		EXPENDITURE PRIORITY	
	FREQ.	RANK	FREQ.	RANK
Food	36	6	161	1
Utilities	66	2	108	2
Healthcare	119	1	95	3
Clothing	47	5	91	4
Housing	49	3	61	5
Car/trans.	42	4	38	6
Savings	--	-	26	7
Bills	18	8	28	8
Physicians	31		9	
Dental	20		8	

In addition to the inconsistency with health related expenditures, twice as many people would spend money on clothes as those who indicated an unmet need for them.

MAJOR AREAS OF NEED

Transportation

Respondents were asked two simple questions relating to transportation:

"Does your family have a car or truck that runs OK?" and,

"Can you get around when you need. For example, to see a doctor, shop, or just to visit? Please answer usually, sometimes, or never."

TABLE 64
VEHICLE OWNERSHIP BY THE POOR

INTERVIEWEES	OWN %	DONT OWN %
TOTAL	59	41
Race		
BLACKS	53	47
WHITES	69	31
SPANISH	47	53
Home County		
WALKER	56	43
BRAZOS	59	40
MADISON	53	46
WALLER	62	37
BURLESON	61	39
Age Group		
18-35 year olds	52	38
36-60	54	46
61+	67	33

These findings need to be viewed in the light of the possibility that the least mobile of each county's poor may not have managed to reach the distribution sites. Although Spanish origin families reported the lowest vehicle ownership rates, (see Table 64), they also expressed the least problems with mobility. Ownership was 20 percentage points higher among those who lived outside city limits than among town residents. This was also reflected in comparisons of ownership between counties. Those counties with large towns (Brazos and Walker) reporting lower ownership rates. Vehicle ownership also increased with the reported age of the respondents.

TABLE 65
MOBILITY OF THE POOR

INTERVIEWEES	ABLE TO GET AROUND (%) USUALLY	SOMETIMES	NEVER
Total	58	35	6
Race			
BLACKS	53	39	7
WHITES	73	25	1
SPANISH	66	33	-
Home County			
WALKER	66	31	3
BRAZOS	78	21	-
MADISON	80	11	8
WALLER	80	16	4
BURLESON	79	16	4
Residential Status			
OUTSIDE CITY	80	15	5
IN CITY LIMITS	75	21	3
Age			
18-35 year old	70	35	7
36-60	80	17	3
61+	76	20	2

In conclusion, transportation was not reported to be a major problem by the majority of the poor in the sample. However, transportation is a serious problem for those who do not have it. Comments from the key informant and provider surveys provide some different insights into transportation problems of specific subgroups of the poor.

Utilities

Blacks reported the highest rate of never being able to pay utility bills, (13% versus 5% for whites and 0% for hispanics).

Walker County residents had the highest " never" rate, 15%, and Brazos County residents the lowest, 6%.

As age increased so did ability to meet utility costs. There was no clear relationship with family size, except that very large families (eight or more members) were much more likely than smaller families to have utility payment problems.

Food

Almost half of the recipients reported not being able to purchase enough food for the family either some or all of the time (see Table 66).

TABLE 66
ADEQUACY OF FAMILY FOOD SUPPLY

		ABLE TO BUY ADEQUATE FOOD (%)		
INTERVIEWEES	N	USUALLY	SOMETIMES	NEVER
TOTAL	317	52	40	8
Race				
BLACKS	185	45	44	10
WHITES	114	62	31	6
HISPANICS	18	55	44	0
Age Groups				
18-35	70	47	47	6
36-60	106	40	48	10
61+	137	62	30	8

Inadequate family food supply was more prominent among blacks (54%) than among hispanics (44%) or whites (40%).

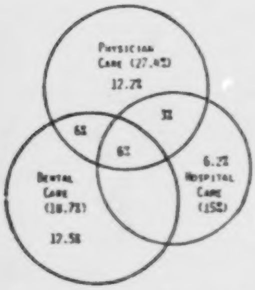
Recipients over 61 years of age reported food supply problems less frequently than did younger recipients. Possibly this is because of the larger family size associated with younger recipients.

Health Care

While there are various detailed methods of measuring access to health care (physician visits/capita, etc.), a more direct method was applied. Recipients were asked if anyone in their families had needed to see a doctor in the last two years, but had not done so for some reason. The question was repeated for dental and hospital care.

Those who indicated that someone in their families had not received some needed health care were asked why. The results are displayed in Figure 39.

53% OF RESPONDENTS UTILIZED HEALTH SERVICES WHEN NECESSARY



KEY: FIGURES IN PARENTHESES INDICATE TOTAL PERCENT OF RESPONDENTS NOT SEEKING THE HEALTH SERVICE SPECIFIED WHEN NECESSARY

FIGURE 39
HEALTH CARE UTILIZATION

Many respondents had family members who had gone without more than one form of medical care. The percentages are indicated in the intersections of the appropriate circles in Figure 39. For example, 6% indicated unmet needs for both physician and hospital care. The figures in parentheses indicate the total percentages of the sample that went without the specified type of care.

TABLE 67
FAILURE TO OBTAIN NEEDED MEDICAL CAR

	COUNTIES				
	WALKER	BRAZOS	MADISON	WALLER	BURLESON
NUMBER OF OBSERVATIONS	65	60	40	32	108
OBTAINED ALL NEEDED CARE	41	55	65	37	59
DID NOT GO TO PHYSICIAN	12	17	10	9	11
DID NOT GO TO PHYSICIAN OR DENTIST	13	10	2	3	3
DID NOT GO TO PHYSICIAN OR HOSPITAL	4	5	0	3	2
DID NOT GO TO PHYSICIAN OR DENTIST OR HOSPITAL	9	2	12	9	3
DID NOT GO TO DENTIST	15	8	10	28	10
DID NOT GO TO HOSPITAL	3	3	0	9	11

Blacks were only slightly less likely to obtain necessary care (49%) than whites (44%) or hispanics (41%). The variation is largely due to non-visits to physicians; hospital and dental access was reported to be uniform between the races.

As the age of recipients increased, the likelihood of their families failing to obtain health care decreased. Forty-one percent of 18-35 year olds reported always seeking health care when needed, against 47% for 36-60 year olds and 64% for the 61 years plus age group.

Although some of the base numbers are low, some general comments can be made on differences in access to health care between the counties. Waller County has the poorest performance, largely due to the large proportion of recipients indicating that some person/s in their families did not attend a dentist. Walker County had the best overall rate, with 65% indicating receipt of all needed services.

Obtaining health care did not vary significantly between town and country residents. This is consistent with only 2% reporting transportation as an access problem.

Receiving Medicaid and or Medicare (no distinction was made in data collection) did not affect the likelihood the recipient's family would neglect going to a physician. Surprisingly, Medicare/Medicaid status was strongly associated with dental care utilization. While 21% of non-Medicare/Medicaid recipients reported not attending a dentist, only 7% of the of Medicare/Medicaid recipients did not attend for needed care.

As family size increases, the probability of obtaining needed dental care falls from 95% (one person families) to 70% (7 person families).

Health Insurance

Twenty-seven percent of the respondents reported carrying private health insurance. The highest coverage rate was among whites, 36%, versus 26% for blacks and 6% for hispanics.

Carrying health insurance increased the probability a respondent's family would receive all needed care from 50% to 62%. Again, suprisingly, carrying insurance was strongly associated with an increase in the likelihood of obtaining dental care.

Social Service Benefits

Almost all of the commodity recipients also received other forms of federal or state assistance. The percentages of recipients receiving each benefit are presented in Figure 40.

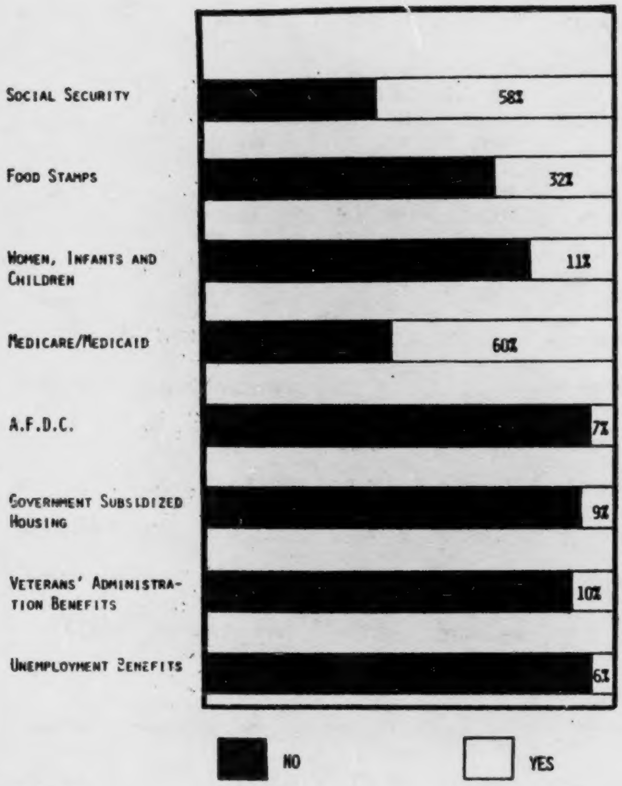


FIGURE 40
PERCENT OF RESPONDENTS RECEIVING SELECTED SOCIAL SERVICE BENEFITS

CONCLUSIONS

Food, utility payments, and medical care are the problem areas which the sample poor who were interviewed perceived as their most pressing needs. Less frequently mentioned problems are housing and transportation. The reported priorities on how the poor would spend another $200 per month do not correlate well with reported needs.

REMARKS OF NORMA PLASCENCIA ALMANZA

TO THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS,
AND NUTRITION
FIELD HEARING
LEON E. PANETTA, CHAIRMAN
OKLAHOMA CITY, OKLAHOMA - MARCH 22, 1985

GOOD MORNING. I AM NORMA PLASCENCIA ALMANZA, EXECUTIVE DIRECTOR OF THE ANTI-HUNGER COALITION OF TEXAS (ACT), WHICH IS A STATEWIDE NONPROFIT ORGANIZATION THAT WORKS WITH LOCAL COMMUNITIES TO ADDRESS PROBLEMS OF HUNGER AND MALNUTRITION IN TEXAS. THANK YOU FOR THE INVITATION TO APPEAR BEFORE YOU TODAY. I AM MOST APPRECIATIVE OF THE INTEREST OF YOUR COMMITTEE TO HEAR, FIRST HAND, LOCAL VIEWS ON THE REAUTHORIZATION AND FUNDING PROPOSALS THAT WILL AFFECT FEDERAL FOOD ASSISTANCE PROGRAMS.

IN THE INTEREST OF TIME, I WILL SUMMARIZE MY WRITTEN STATEMENT AS WELL AS MAKE A FEW COMMENTS REGARDING THE ATTACHMENT, WHICH CONTAINS SOME OF THE MORE RECENT STATISTICS ON HUNGER IN TEXAS.

ACT WAS FORMED IN THE SPRING OF 1980. IT IS A MEMBERSHIP ORGANIZATION REPRESENTING INDIVIDUALS AND ORGANIZATIONS CONCERNED AND INVOLVED WITH ISSUES RELATED TO HUNGER AND MALNUTRITION. WE WORK CLOSELY WITH FOOD BANKS, EMERGENCY FOOD PROGRAMS, COMMUNITY ACTION AGENCIES AND OTHER PRIVATE AND PUBLIC GROUPS THAT SEEK TO ASSIST THE HUNGRY. ACT HAS BEEN DIRECTLY INVOLVED SINCE 1981 IN THE DEVELOPMENT OF OVER FIFTEEN (15) FOOD BANKS IN OUR STATE AND IN GAINING STATEWIDE SUPPORT FOR FOOD BANKS FROM PRIVATE SECTOR RESOURCES SUCH AS THE TEXAS RETAIL GROCERS ASSOCIATION AND THE TEXAS

MOTOR TRANSPORTATION ASSOCIATION. BEING LOCATED IN THE CAPITAL OF OUR STATE, WE HAVE THE UNIQUE OPPORTUNITY TO ALSO WORK WITH STATE AGENCIES THAT ADMINISTER THE FEDERAL FOOD ASSISTANCE PROGRAMS. MOST RECENTLY, WE HAVE OFFICIALLY SERVED AS A RESOURCE ORGANIZATION TO THE TEXAS SENATE INTERIM COMMITTEE ON HUNGER AND NUTRITION.

I WILL CONFIME MOST OF MY REMARKS THIS MORNING TO THE OPERATION OF THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP), WHICH DISTRIBUTES SURPLUS COMMODITIES TO LOW-INCOME HOUSEHOLDS AND INDIVIDUALS. CURRENTLY, THE PROGRAM SERVES OVER 415,000 ELIGIBLE HOUSEHOLDS ON A MONTHLY BASIS. THIS IS MORE THAN THE APPROXIMATELY 390,000 HOUSEHOLDS ON FOOD STAMPS. GIVEN THE EXTREMELY LIMITED FUNDING FOR THE ADMINISTRATION OF TEFAP, FOR A STATE THE SIZE OF TEXAS THIS MEANS THAT A SIGNIFICANT AMOUNT OF STATE AND LOCAL ENERGY AND RESOURCES ARE SPENT TO OPERATE THE PROGRAM. ACT AND ITS MEMBERSHIP ARE VERY SUPPORTIVE OF TEFAP AS A TEMPORARY PROGRAM SPECIFICALLY CREATED TO RESPOND TO THE ALARMING RISE OF HUNGER AND MALNUTRITION IN AMERICA. WE ARE AWARE THAT ONE OF THE MAIN REASONS CONGRESS AUTHORIZED THIS PROGRAM WAS BECAUSE OF THE IMMENSE STOCKPILE OF UNCOMMITTED SURPLUS COMMODITIES OBTAINED BY CONGRESS TO ASSIST FARMERS AND THE NEED TO REDUCE THE SIGNIFICANT POTENTIAL SPOILAGE AND STORAGE COSTS FOR THESE COMMODITIES. IT IS OUR BELIEF THAT UNCOMMITTED STOCKPILES HAVE NOT BEEN SIGNIFICANTLY REDUCED; THAT THE MARKET HAS NOT BEEN ADVERSELY AFFECTED; NOR THAT MOST STATES HAVE BEEN ABLE TO REPORT SIGNIFICANT REDUCTIONS IN THE NUMBER OF PERSONS GENUINELY IN NEED OT THIS SUPPLEMENTAL PROGRAM. ACT IS CONCERNED ABOUT PROPOSALS THAT WOULD ELIMINATE FUNDS TO COVER STATE AND LOCAL DISTRIBUTION COSTS. IF THOSE FUNDS WERE ELIMINATED, MANY CONTRACTORS IN OUR STATE WOULD BE FORCED TO STOP DISTRIBUTION.

BEFORE I PROCEED WITH THE REMAINDER OF MY STATEMENT, I WOULD LIKE TO REFER YOU TO THE ATTACHMENT TO MY WRITTEN TESTIMONY, TITLED "GOING HUNGRY IN TEXAS."

THE EXTENT OF NEED IN TEXAS

THE INFORMATION GATHERED IN THE SIX (6) PAGES REFLECTS MANY OF THE FINDINGS OF THE SENATE INTERIM COMMITTEE ON HUNGER AND NUTRITION. THE STAFF OF THAT COMMITTEE INFORMED ME THAT COPIES OF THE FINAL REPORT, FACES OF HUNGER IN THE SHADOW OF PLENTY, HAVE BEEN MADE AVAILABLE TO YOUR COMMITTEE. I BROUGHT A FEW COPIES, SHOULD YOU DESIRE THEM.

WHAT IS MOST STARTLING ABOUT THE FINDINGS OF THE COMMITTEE IS THE CONFIRMED FACT THAT TEXAS, WHICH PRIDES ITSELF OF NOT HAVING THE HIGH LEVELS OF UNEMPLOYMENT FOUND IN OTHER STATES, IS SHOWING A SIGNIFICANT INCREASE IN ITS POVERTY POPULATION. IT IS ALSO TRADITIONAL KNOWLEDGE THAT MANY OF THE POOREST COUNTIES IN THE NATION ARE IN TEXAS. NUMEROUS OF THESE ARE PREDOMINANTLY RURAL COMMUNITIES WHICH DO NOT HAVE THE SERVICE STRUCTURE AVAILABLE IN THE LARGE URBAN PLACES. AN UNDERLYING CONCERN THAT WAS ALSO ADDRESSED BY ANOTHER RECENT REPORT IS THE FACT THAT THE UNEMPLOYED IN TEXAS -- ESPECIALLY IN EAST TEXAS WHERE THERE WERE SEVERAL LARGE PLANT CLOSINGS AND IN THE RIO GRANDE VALLEY WHERE IT WILL TAKE SEVERAL YEARS FOR THE CITRUS INDUSTRY TO RECOVER FROM THE RECENT FREEZES -- ARE MORE LIKELY TO REMAIN UNEMPLOYED AND TO EXHAUST THE MINIMAL UNEMPLOYMENT BENEFITS AVAILABLE TO THEM. THE REPORT THAT I AM REFERING TO IS THE FINAL REPORT OF THE BIPARTISAN, JOINT TEXAS HOUSE AND SENATE TASK FORCE ON INDIGENT HEALTH CARE WHICH WAS ISSUED THIS PAST DECEMBER. I ALSO HAVE A COPY OF THAT REPORT FOR YOU. TOGETHER THEY CONFIRM THAT NOT ONLY ARE THERE MORE PERSONS IN NEED OF FOOD ASSISTANCE, BUT THAT AS HUNGER TAKES ITS TOLL ON THE HEALTH

AND WELL BEING OF POOR PEOPLE, THERE IS ALSO A DECREASING ACCESSIBILITY TO ADEQUATE HEALTH CARE SERVICES.

PRIVATE AND PUBLIC RESPONSES

ON PAGE THREE (3) OF THE ATTACHMENT THERE ARE SEVERAL EXCERPTS FROM THE HUNGER REPORT WHICH SUMMARIZE THE SERVICES AVAILABLE TO ASSIST THE HUNGRY. AS I MENTIONED EARLIER, TEXAS HAS EXPERIENCED A SIGNIFICANT GROWTH OF FOOD BANKS IN MAJOR METROPOLITAN AREAS. AT LEAST SEVEN (7) FOOD BANKS HAVE BEEN CERTIFIED BY SECOND HARVEST, THE NATIONAL FOOD BANK NETWORK. DURING THE FIRST SIX (6) MONTHS OF 1984, THE FOOD BANKS IN TEXAS HAD DISTRIBUTED ALMOST THIRTY (30) MILLION POUNDS OF DONATED FOOD. THE LEFT HAND CHART ON PAGE THREE (3) INDICATES THE SIGNIFICANT INCREASE IN BOTH THE NUMBER OF EMERGENCY FOOD PROVIDERS AND IN THE NUMBER OF REQUESTS FOR AID. THE FOOD BANKS REPORT RECEIVING AT LEAST 70,000 REQUESTS MONTHLY FOR FOOD; OF THESE REQUESTS, AT LEAST 20,000 REMAIN UNSERVED BECAUSE PROVIDERS RUN OUT OF FOOD.

IN SUMMARY, WHILE MORE PEOPLE ARE IN NEED OF FOOD ASSISTANCE AND ELIGIBLE FOR FOOD STAMPS, WIC, ELDERLY NUTRITION AND CHILD NUTRITION PROGRAMS, THEIR ACCESS TO THESE PROGRAMS IS UNLIKELY BECAUSE OF CUTBACKS, PROGRAM REQUIREMENTS AND PROCEDURES WHICH DETER ELIGIBLE FAMILIES AND INDIVIDUALS FROM RECEIVING ASSISTANCE. DESPITE OF THE IMMENSE EFFORTS OF THE PRIVATE SECTOR, MOST OF THE ASSISTANCE AVAILABLE IS FOUND AS A ONE TIME EMERGENCY REQUEST DESPITE THE CHRONIC NATURE OF THE NEED.

SUPPORT FOR THE FEDERAL FOOD PROGRAMS

CLEARLY THE TYPE OF ASSISTANCE THAT IS REQUIRED DURING THESE TIMES CAN BEST BE PROVIDED THROUGH THE ADEQUATE FUNDING OF FOOD STAMPS, MEALS FOR THE ELDERLY AND THE CHILD NUTRITION PROGRAMS. FOR THOSE OF US WHO WORK WITH THESE PROGRAMS DAILY IT IS COMMON KNOWLEDGE THAT THEY HAVE BEEN FAR MORE EFFECTIVE IN USE OF TAX REVENUES IN REDUCING HUNGER. BECAUSE OF THEIR EFFECTIVENESS, OUR STATE LEGISLATURE IS CURRENTLY CONSIDERING A BILL THAT WOULD SUPPLEMENT AND ENHANCE SERVICES UNDER WIC, ELDERLY NUTRITION AND FOOD STAMP PROGRAM. PAGE FOUR (4) OF THE ATTACHMENT HIGHLIGHTS FINDINGS OF THE TEXAS SENATE COMMITTEE THAT INDICATE THAT THESE PROGRAMS ARE ALREADY FALLING SHORT IN MEETING THE NEEDS FOR WHICH THEY WERE CREATED. ANY FURTHER CUTBACKS OR CHANGES THAT PREVENT ELIGIBLE PERSONS FROM RECEIVING BENEFITS DESPITE THE NUMEROUS STUDIES DOCUMENTING THE RESURGENCE OF WIDESPREAD POVERTY AND HUNGER WOULD ONLY WORSEN THE SITUATION. WE CAN NOT AFFORD TO IGNORE OR DISMISS A PROBLEM BY PRETENDING IT EXISTS ELSEWHERE, SUCH AS IN EHTIOPIA, AND TELL OURSELVES THAT DOMESTIC HUNGER DOES NOT EXIST.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

ACT HAS WORKED WITH THE TEXAS DEPARTMENT OF HUMAN RESOURCES (TDHR), THE STATE ADMINISTERING AGENCY FOR THE COMMODITY PROGRAM, SINCE 1981 WHEN THE FIRST COMMODITY GIVEAWAY WAS IMPLEMENTED. MY MOST URGENT CONCERN ABOUT TEFAP IS THAT THE INITIAL INTENT, TO CREATE A "TEMPORARY" PROGRAM WITHOUT LOTS OF RED TAPE HAS SUCCUMB TO THE OVERREACTIONS OF FRAUD AND ABUSE.

DURING THE PAST THREE YEARS ACT HAS BEEN IN REGULAR CONTACT WITH TEFAP

CONTRACTORS, TDHR AND THE COMMUNITIES IN NEED OF THIS SERVICE. TDHR'S BOARD OF DIRECTORS HAS TARGETED SERVICES FROM THIS PROGRAM TO ALL 254 COUNTIES IN THE STATE. CURRENTLY 250 COUNTIES ARE SERVED BY 82 CONTRACTORS. THE BULK OF THE COUNTIES FALL UPON APPROXIMATELY 34 CONTACTORS. THESE ARE THE COMMUNITY ACTION AGENCIES (CAAS) WHICH PROVIDE SERVICES TO LOW INCOME PERSONS AND WHICH OFTEN ARE RESPONSIBLE FOR SEVERAL COUNTIES. IN ADDITION SEVERAL OTHER CAAS ARE SUBCONTACTORS TO TEFAP THROUGH A FOOD BANK OR A COUNTY SUBCONTRACT. THERE ARE APPROXIMATELY 7 FOOD BANKS WHICH ALSO CONTRACT TO DISTRIBUTE COMMODITIES.

BECAUSE OF THE INCREASING REQUIREMENTS AND RESPONSIBILITIES PLACED ON CONTRACTORS, SEVERAL OF THE FOOD BANKS IN TEXAS HAVE DISCONTINUED DISTRIBUTION OR LIMITED THEIR PARTICIPATION. MY RESEARCH HAS SHOWN THAT DISTRIBUTION THROUGH THEM WAS AT LEAST MORE COST EFFECTIVE PRIMARILY BECAUSE THEY ARE IN THE BUSINESS OF DIRECT DISTRIBUTION OF FOOD, HAVE APPROPRIATE FACILITIES AND GREATER ACCESS TO VOLUNTEERS AND DONATED RESOURCES. THEREFORE THE COST OF DISTRIBUTION IN TEXAS HAS BEEN SIGNIFICANTLY AFFECTED. DESPITE THIS CAAS AND THE REMAINING CONTRACTORS HAVE WORKED WITH TDHR TO INCREASE AND EXPAND SERVICES. IN MY SURVEYS WITH THE CAAS I HAVE FOUND THE FOLLOWING:

- THAT CONTRACTORS HAVE BEEN INNOVATIVE AND RESOURCEFUL IN FINDING ADEQUATE STORAGE AND TRANSPORTATION. COUNTY TRUCKS, NATIONAL GUARD AND CARAVANS OF VANS ARE BUT SOME OF THE WAYS IN WHICH COMMODITIES ARE TRANSPORTED DIRECTLY TO THE NEEDY.

- DESPITE THEIR INNOVATIVENESS, TRANSPORTATION AND STORAGE ARE THE HIGHEST EXPENSES INCURRED BY CONTRACTORS AND THE REIMBURSEMENT ALLOWED IS AT TIMES INADEQUATE TO COVER THE COST. THIS DESPITE THE FACT THAT TDHR HAS

CONTINUED TO REIMBURSE CONTRACTORS AT THE 5 PERCENT LEVEL. UNLESS THERE IS FURTHER COOPERATION FROM USDA AND THE CCC IN THE DELIVERY OF THE COMMODITIES IT IS NOT LIKELY THAT COSTS COULD BE REDUCED SIGNIFICANTLY.

- CONTRACTORS ARE ABSORBING COST FOR STAFFING, DESPITE THE FACT THE EVERY DISTRIBUTION IS MADE POSSIBLE ONLY BECAUSE OF THE NUMEROUS VOLUNTEERS. MOST CONTRACTORS HAVE SOUGHT LOCAL GOVERNMENT, CHURCHES AND EVEN LABOR AND BUSINESS TO HELP IN THEIR DISTRIBUTION. IN SEVERAL CASES THE CONTRIBUTIONS GO BEYOND FINANCIAL SUPPORT AND INCLUDE GOODS AND SERVICES. NEEDLESS TO SAY THIS PROGRAM HAS WIDE SUPPORT IN TEXAS.

IT IS FOR THESE REASONS THAT THE DISTRIBUTION OF COMMODITIES HAS INCREASED SIGNIFICANTLY AND TO THE POINT THAT THE STATE HAS ALERTED CONTRACTORS THAT FUNDS MAY RUN OUT EFFECTIVE JULY,1985. CONTRACTORS HAVE SOUGHT OUT ADDITIONAL SUPPORT BUT MANY REPORT THAT SHOULD THE REIMBURSEMENT FUNDS RUN OUT OR NO FUNDS BE MADE AVAILABLE FOR 1986,IT IS NOT LIKELY THAT MANY OF THEM COULD CONTINUE DISTRIBUTION. SEVERAL OF THE CAAS ARE REPORTING THAT FOR EVERY $3 IN TEFAP REIMBURSEMENT THEY RECEIVE THEY ARE INVESTING $1 TO $2 OF FUNDS THEY RECEIVE THROUGH THE COMMUNITY SERVICES BLOCK GRANT (CSBG). YET THESE VERY FUNDS ARE AMONG THOSE WHICH THIS ADMINISTRATION IS SEEKING TO ABOLISH.

IN SUMMARY, FROM MY CONVERSATIONS WITH CONTRACTORS THROUGHOUT THE STATE, THE ONE CLEAR MESSAGE IS THAT UNLESS CONGRESS IS PLANNING TO ADEQUATELY FUND THE FOOD STAMPS, ELDERLY NUTRITION AND OTHER NUTRITION PROGRAMS, WE NEED TO CONTINUE TEFAP FOR AT LEAST ANOTHER YEAR. FURTHER THERE IS CLEAR NEED FOR ADDITIONAL FUNDS OF PROBABLY A MINIMUM OF 65 MILLION FOR DISTRIBUTION. THIS AMOUNT IS CONDITIONAL ON NO FURTHER

REQUIREMENTS OR RESPONSIBILITIES BEING PLACED ON CONTRACTORS OR THE STATE. IF I CAN SPEAK FOR THE CONTRACTORS, I WOULD CLOSE ON THE NOTE THAT CONSIDERING WHAT THIS PROGRAM IS COSTING IN COMPARISON TO THE NUMBERS SERVED, THIS IS A COST EFFECTIVE PROGRAM AND ONE WHICH IS ENJOYING IMMENSE SUPPORT.

THANK YOU FOR THE OPPORTUNITY TO COME BEFORE AND I AM READY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE OF ME.

(Attachment follows:)

ANTI-HUNGER COALITION OF TEXAS

3126-28 Manor Road (512)474-9921 Austin, Texas 78723

GOING HUNGRY IN TEXAS : A Fact in Many Lives

"While many recognize Texas as a state of agricultural abundance, poverty and the threat of hunger now face over two million citizens. The paradox of hunger and inadequate nutrition experienced by the elderly and our poor, in a land of plenty, is one that we cannot ignore."-- Sen. Hugh Parmer (D.- Fort Worth), chair of the Senate Interim Committee on Hunger and Nutrition.

THE EXTENT OF POVERTY IN TEXAS

FACT: The 1984 federal poverty guideline for a family of four is $10,200.

FACT: More than 14 percent of the Texas population, or 2,035,873 out of 14,229,191 people lived in poverty at the time of the 1980 census.

Children, women caring for children, the elderly and the disabled -- the "traditional" poor -- make up the largest part of the Texas poverty population. Unemployment rates have little direct effect on their lives, but the recession of the last few years has created a "new" class of poor people, those who have lost good jobs and who have exhausted their unemployment benefits without finding work.

THE 'NEW' POOR

FACT: In Houston alone, approximately 21,000 people exhausted their unemployment benefits in January 1984.

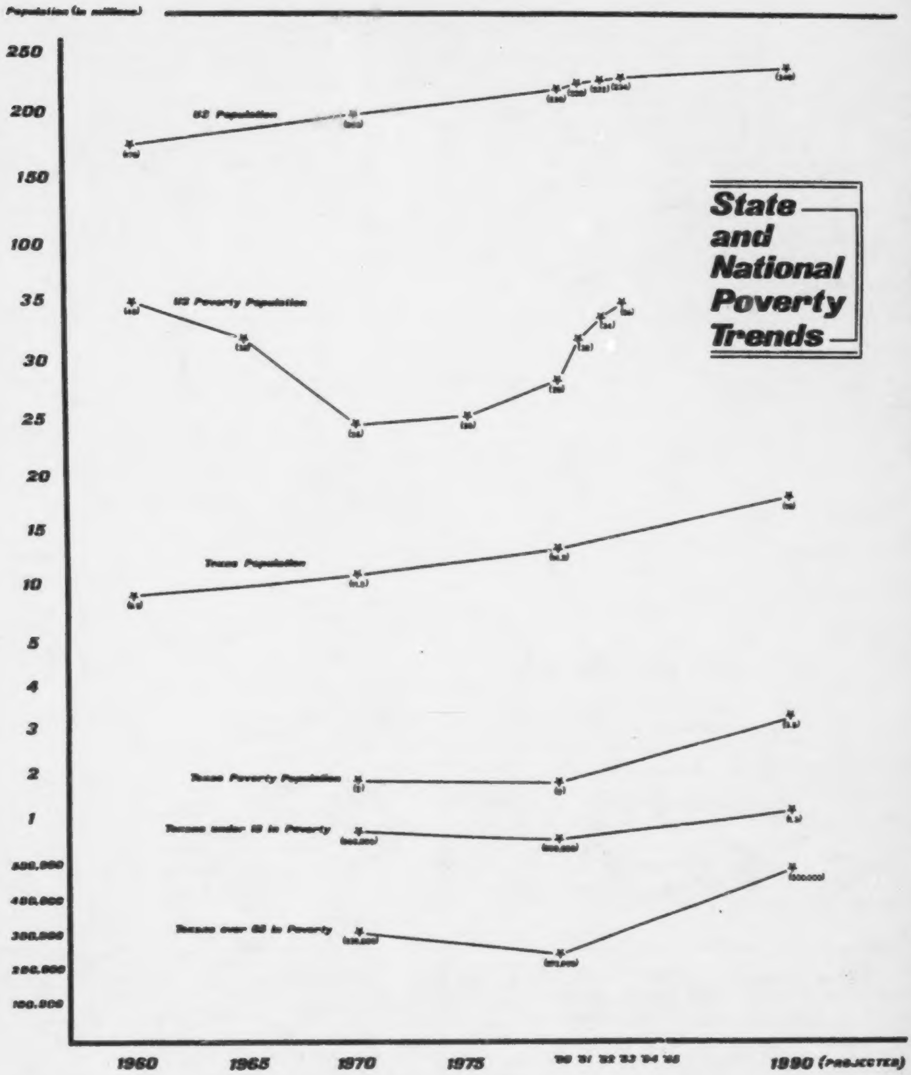
FACT: The 1982 bursting of the Texas "oil bubble" cost the state 100,000 jobs.

TEXAS UNEMPLOYMENT 1984: RECIPIENTS OF UNEMPLOYMENT INSURANCE BENEFITS

	State Unemployment Rate	Number of Unemployed Persons*	Number Receiving Unemployment Insurance Benefits	Number of Persons Exhausting Unemployment Insurance Benefits
January 1984	7.3	555,800	96,590	66,428
July 1984	6.3	516,100	67,069	63,515

*Civilian Labor Force

Source: TEC

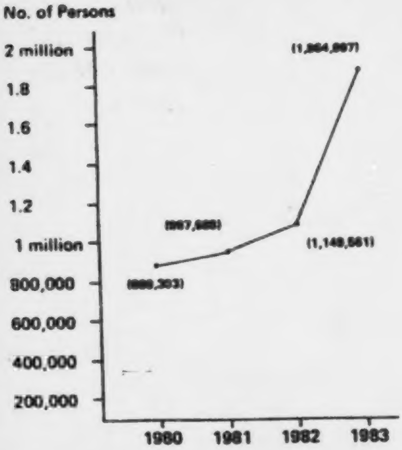


Source: US Census Data

THE EXTENT OF HUNGER IN TEXAS

PRIVATE AND PUBLIC ASSISTANCE

NUMBER OF PERSONS IN TEXAS RECEIVING FOOD ASSISTANCE FROM PRIVATE SECTOR SOURCES 1980–1983

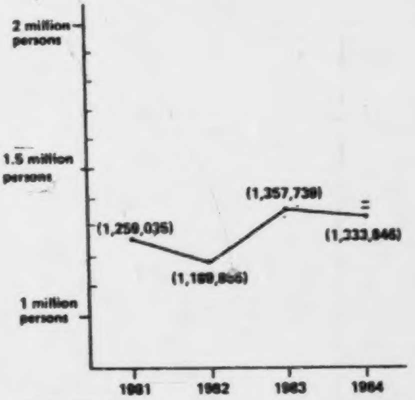


Source: S-nate Interim Committee on Hunger and Nutrition (Survey)

In a survey conducted by the Senate Committee of 1,893 emergency food service providers, 75 percent indicated they served predominately families and 64 percent reported serving more children than in previous years.

> *"One of the primary messages I'm here to deliver is that the Food Stamp Program is not accessible to many of those who are legitimately eligible to receive the stamps. We have found ourselves serving as a back-up system to the Food Stamp Program. But, we are not able to serve the huge number of people referred to us by the TDHR offices."*
> *–director, Houston Interfaith Hunger Coalition*

NUMBER OF FOOD STAMP RECIPIENTS IN TEXAS FY 1981 – FY 1984



Source: TDHR

EXPEDITED ISSUANCE OF FOOD STAMPS TEXAS: 1983 – 1984

	Total No. Food Stamp Applications	Total No. Expedited Issuances	% of Applicants Receiving Expedited Issuance
1983	565,887	179,808	32%
1984	529,463	94,248	17.8%

Source: TDHR

TDHR which also administers the Temporary Emergency Food Assistance Program that provides eligible households with surplus commodities, estimates that as of March 1, 1985, there were approximately 415,000 households receiving commodities while only 390,000 households receive food stamps.

THE EXTENT OF THE SAFETY NET

The Food Stamp Program provides income-eligible individuals and families with coupons which can be used like cash to buy groceries.

FACT: In June 1984, only 38.6 percent of all Texans living at or below the poverty level participated in the program.

FACT: Roughly four of every five Texas food stamp recipients are children (56 percent) or senior or disabled citizens (24 percent). Twenty percent are adults caring for children.

FACT: In 1983, 10 percent of the Texas Food Stamp caseload, or 40,000 families had no income at all.

The Special Supplemental Program for Women, Infants and Children (WIC) provides needy pregnant women, lactating mothers and their children with nutrition counseling and coupons which can be redeemed at grocery stores for certain specified foods like milk, juice, peanut butter and cereal.

FACT: Texas WIC, which is administered by the Texas Department of Health (TDH), serves only 184,000 of the estimated 895,000 women and children who need the program.

FACT: WIC services are available in only 174 of Texas' 254 counties.

FACT: In 1983, the Texas Department of Health (TDH), reported a slight rise in the infant mortality rate from 10.8 percent to 11 percent.

Findings of the Senate Committee

- In a February 1984 survey of 1,300 WIC recipients, 38 percent of the respondents indicated they had insufficient monies for food and that mother, infant or child, was regularly skipping meals.
- In a nutrition survey of 200 children in Houston, the City Health Department found that 70 percent of the children, 1 - 5 years old had an inadequate milk intake; 41 percent, an inadequate meat intake, and 90 percent, an inadequate fruit and vegetable intake.

The Senior Nutrition Program, administered by the Texas Department on Aging (TDoA), provides noon meals to senior Texans in congregate (group) settings or delivers them to the homebound elderly.

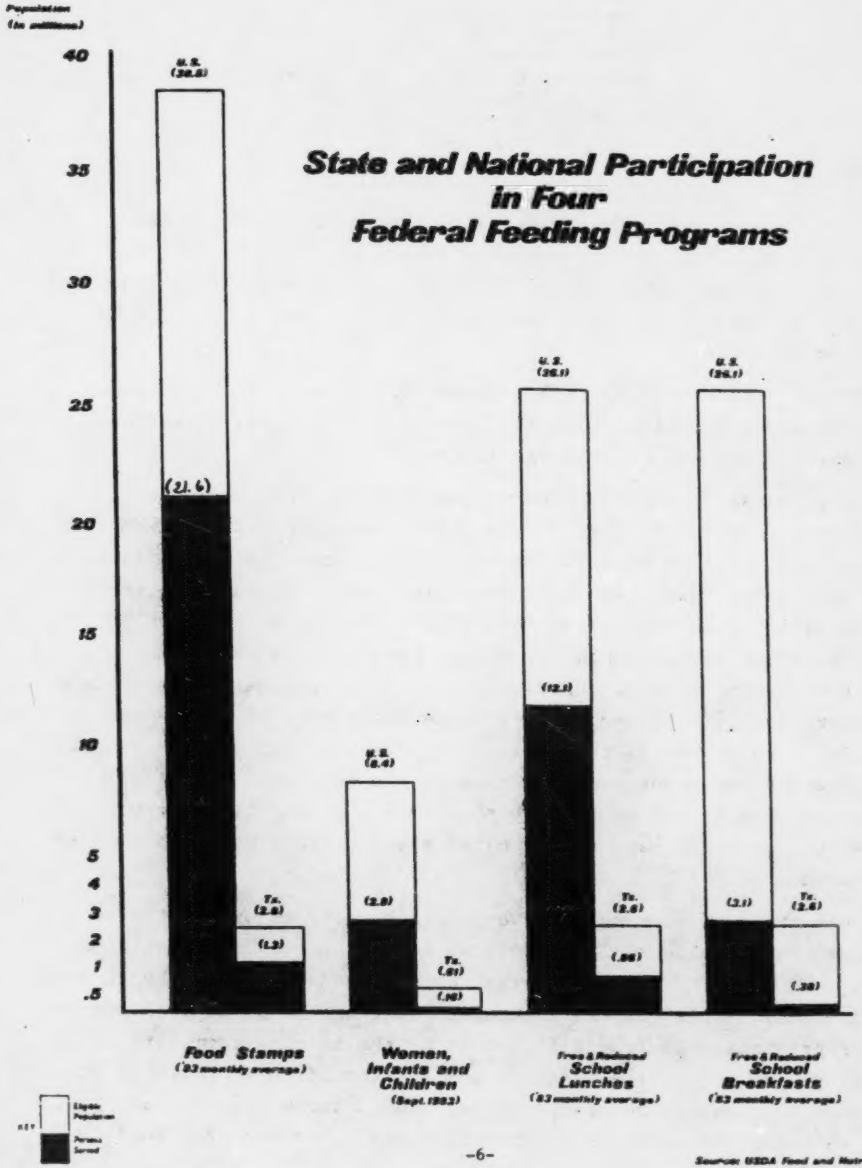
FACT: TDoA contractors served or delivered more than 11 million meals to some 280,000 elderly Texans in FY 83, but the agency estimates that an additional 108,000 Texas seniors need nutritional assistance.

FACT: Sixty percent of the program participants recently surveyed by TDoA reported that they depend on the program for the only complete meal they eat in a day, and 35 percent said they would be hungry without it.

FACT: In August of this year, fewer than 33 percent of the estimated 481,000 poor elderly Texans who might qualify for food stamps received them.

FACT: The Texas Department of Health documented 513 deaths in the state due to malnutrition between 1979 and 1982. Of these, 88 percent or 452 deaths were among persons over the age of 60.

Information outlined represents exerpts and information from the report, Faces of Hunger in the Shadow of Plenty, issued by the Texas Senate Interim Committee on Hunger and Nutrition, other data from ACT and reports of state agencies. For information or questions, contact the ACT, 3128 Manor Road, Austin, TX 78723.



Source: USDA Food and Nutrition Service

Comments of Sheryn See
Delivered to
Committee on Agriculture
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
U.S. House of Representatives
March 22, 1985
Oklahoma City, Oklahoma

My name is Sheryn See. My remarks are based upon my activities in Tulsa, Oklahoma with various organizations including the Interagency Task Force, the Tulsa Community Action Agency, of which I am Treasurer, and, most especially, Project Get Together, Inc., of which I am Executive Director.

Project Get Together (PGT) is a private social service organization providing food, clothing, financial assistance, medical attention and budget counseling to families in need.

In recent years, Tulsa social service agencies have experienced a great drain upon our food resources. This has occurred although most organizations working with low income people report increased in-kind contributions of food. At Project Get Together, although our in-kind contributions of food increased by 16% in 1984, we still found ourselves spending an unplanned $22,000 to keep food on our pantry shelves. Among those agencies which provide food, it is customary to provide a short-term supply. PGT provides a three day supply of food: nine meals for each member of the household. Clearly, such small quantities are for emergency needs, to fill gaps in the families' budgetary allocations for food. We refer virtually all of our clients to the food stamp program. Many of our clients are already participating in the program.

Tulsa has the good fortune to have geographically situated private agencies that provide social services, including food, to low-income people. We work through an informal network and come together on a monthly basis as part of the Interagency Task Force on Basic Needs. Here, representatives from all sectors of the helping community, whether public or private, meet to share information on policies and programs, to identify emerging trends, and to formulate advocacy positions on behalf of our client constituencies. The need for food is a constant topic of conversation. Recent input includes the following: Paul Stevenson, director of the Crosstown Daycare Center reports that his organization must prepare extra food on Mondays because the children have not gotten enough to eat over the weekend. David Breed, director of Western Neighbors, describes a trend in which families in his area, aware that Western Neighbors (like all of us) is able to acquire food from the Tulsa Community Food Bank by merely defraying expenses on a ten cent per pound basis, are approaching him in greater and greater numbers trying to "buy" a sack of food on an ongoing basis, to avoid the embarassment of their continual need. Forest O'Brien from Tulsa's Department of Human Services while noting that the increasing number of new applicants has begun to taper off somewhat, pointed out that more is actually going out in benefits now because recipients are so much worse off that they are eligible for more. At Project Get Together it is not unusual for our volunteers to be called upon to put sandwiches together for consumption on the premesis by our clients, some of whom have not eaten in several days when they arrive at our office. Our medical clinic has begun to routinely serve crackers and juice as a result of our discovery that the crankiness of the children seen was as much due to their hunger as to their illnesses.

Most private food providing agencies in Tulsa have received FEMA allocations this year. At our meeting of March 19, food providing members of the Interagency Task Force reported that, despite increased food collections by Tulsa churches, the FEMA money was the main reason that there was food available to respond to the needs of our clients. Further, it is the opinion of most food providing organizations in Tulsa that a mandate to address a greater portion of the food and nutritional needs of our clients would cause us to severely curtail the amounts of financial assistance we provide for other needs.

The extent of hunger and malnutrition in Tulsa is almost certainly underestimated, even by those of us who work daily with families in need. Household budgets of the families seen by Project Get Together are in worse shape now than two years ago. In 1982, on the average, families who came to PGT for assistance lacked 20% of the income necessary to maintain a 'bare-bones' budget. In 1984 PGT families lacked 50%. It is our perception that food is an elastic item in a low-income family's budget. When an income will barely cover rent, utilities, and transportation, the only variable available to a household in need of emergency medicine, car repairs, children's school supplies, is the consumption level of food. I recall a visit shortly before Christmas to a client who had approached me a month earlier for help in managing her AFDC income. We had planned a budget that allowed her to make payments on her high utility bills, pay her rent, provide transportation and still have a few dollars for a spécial Christmas dinner and a gift for each of her children. I found her feeding the children peanut butter sandwiches and anticipating a similar dinner for Christmas. She explained that she had forgotten in our counseling session that her car tag was due in December. "But I did just what you said", she told me. She 'reallocated' her resources. It meant that the fringes we had planned were't there. It meant that the food budget was cut. Over and over our clients report that what they feel they need to spend for food and what ends up being available to spend differ widely.

There are some health problems that we know, at Project Get Together, are traceable to diet. Chronic minor illnesses experienced by our patients and low birth weights, birth defects and infant mortality experienced by the offspring of our clients are all accompaniments to stories told of inadequate nutrition. Women have told us of giving the protein to their children and keeping the starch for themselves. One woman told me that her husband, who never seems to get enough to eat, will begin to eat off of her plate when he has cleaned his. There are diseases that begin to manifest themselves in the fourth decade of our client/patient's lives. The circulatory difficulties and heart ailments in this age group have made us curious as to the long term damage of poor nutrition.

Questions arise as to who will provide assistance to families in need if federal benefits continue to be cut. One of the principal sources of funds for private agencies such as PGT is the religious community. However, in Tulsa, many churches have experienced revenue shortfalls over the past year. Catholics, Presbyterians, Episcopaleans, Disciples, Lutherans, Jews and others have visited with me in their own re-prioritization processes as they grappled with decreased mission budgets. Assumptions cannot be made that the religious community is able to pick up where federal programs decline.

Individual giving had also been stretched beyond its capabilities. In December of 1984, as Project Get Together faced a possible revenue shortfall of $73,000, we sent a letter to all previous contributors who had not yet contributed in 1984. We told them that they could help us, even if they could not contribute, by sending an anonymous note telling us why they were unable to contribute. Responses spoke of receiving twice as many solicitations as ever before, of having to consolidate their giving through their churches, of hoping to be able to contribute again soon. Other organizations tell us that they have had similar experiences. In evaluating the contributions of 1984 we found that individuals were giving us amounts substantially smaller than their previous gifts. Some have told us that the increase in solicitations has caused them to split the amount they have to give into smaller pieces and more places.

Businesses and foundations, too, report increased solicitations.

As regards the provision of food stamps to the people we serve we have the following observations. Current funding levels seem to work best with recipients who are able to avail themselves of volume discounts. For a variety of reasons this is not always possible for low-income people. Those persons who must walk or rely on public transportation to grocery facilities must limit their purchases to what they can carry. It is also not the case in Tulsa that the best of grocery prices are found in low-income neighborhoods.

A reevaluation of the work requirement while a recipient is in an education or training program may also be in order. Some schools either do not recommend or they do not allow their students to work in excess of a certain number of hours. Some of these schools are vocational or technical in nature. In these cases, especially, food stamp restrictions that require an individual to work 20 hours per week in order to qualify for benefits seem to be at odds with the intent of educating or rehabilitating an individual toward a goal of no longer requiring public assistance.

Project Get Together has only a brief experience with the commodity distribution program. We at first found it a tremendous boost to our ability to provide milk products and protein to our clients. Gradually, however, during our participation, the cheese products arrived in worse and worse condition. We ceased to participate when the eligibility proceedures were stiffened. This was because the certification proceedure was, at best inappropriate for our method of working with people inasmuch as it was difficult for the volunteer caseworkers that we use to implement it consistently.

If we could create a new approach to nutrition education it would be one that placed more emphasis on the correlation between good nutrition and good health--most specifically on nutrition as a preventative to health care costs. For example, the WIC program boasts a dramatic statistic. It claims a savings in health care costs, as I understand it, of between three and four dollars for every one dollar spent on good nutrition in the early years of life. A similar tracking of the benefits of good nutrition to teens and to adults would be most desirable. Our observations are that the "opportunity costs" of poor nutrition are not fully understood.

On behalf of my board of directors, my colleagues in Tulsa, and mostly, my clients, I thank you for the committment you give to the issues before you and for coming to Oklahoma to listen.

STATEMENT OF SYLVIA YIPIN
CITIZEN OF OKLAHOMA
TO
SUBCOMMITTEE ON DOMESTIC MARKETING
CONSUMER RELATIONS AND NUTRITION, COMMITTEE ON AGRICULTURE

MARCH 22, 1985

I appreciate the opportunity given to me to share my feelings with you about the "Food Stamp Program".

I have been in the Food Stamp Program since September, 1984. I am the first member of my family who is on Welfare. I had a baby last April (in New York City), and when my husband left us I decided to come to Oklahoma to start a new life. My ambitions were to find a job right away and be able to support my baby and myself.

My lack of experience made it impossible for me to start working as I had planned, so I had to start receiving AFDC.

I appreciate the Food Stamp Program, it has helped me get by until I can find a job again, also it is something I can depend upon, since I've been getting them every month. It is a big relief to know that my child will have food for the entire month.

I don't like cashing them in at grocery stores. (People and clerks look at me as if I am committing a crime because I buy meat once a month). I would like baby items to be included also in the Food Stamp Program, such as diapers, as Day Care Centers won't accept regular ones, (only disposable). Due to so many children and cleanliness and the health of the children. In Day Care children are their main concern, as well as my own for my child. I never knew how much the Food Stamp Program could help a family, until I started to receive AFDC.

I am in a training program now to help me become employable by learning new and difficult clerical/secretarial skills, (i.e., typing at a maximum, complex filing systems, phone, and numerous other duties that are non-routine in nature, for work in this field).

I am working toward getting a good recommendation from my employer to help accommodate me in getting employment, and strive to learn all that is possible for me to learn in this field.

The name of the program is called CWEP for (Community Work Experience Program). I should be able to get a job in the clerical field very soon, I hope, to better help myself and my child.

I think the program is very beneficial for persons who are receiving AFDC and really want to get off the program and make their own way in the real world.

Sylvia YiPin
Sylvia Yipin

STATEMENT OF RUTH WYNN, DIRECTOR, JESUS HOUSE

I am pleased to have the opportunity to represent the poor in our area... the homeless, the nearly homeless, the burdened jobless, and the hungry on the streets, in the schools and those who go to bed hungry at night.

Poverty can mean many different things in different areas of the world; in Calcutta and Ethiopia it can mean never having anything! In America it can mean never having enough! never enough food - enough shelter - enough clothing - enough care! It means going to school hungry - and never being able to fulfill one's potential - it means mothers lacking proper nourishment to produce mentally and physically healthy children - never enough work - enough rest - enough health care - enough to make ends meet....enough LIFE!

Can we in this affluent country allow tax cuts and politics to take precedence over human lives? Can we allow paper work and computers to come before the body and soul of man? Can we allow the fragile and marginal of our society to wander the streets homeless and mad? Can we honestly do less rather than more when an estimated three million people in America are homeless?

We believe the burden of alleviating these problems of poverty and its attendent ills should rightfully belong to the private sector, should be shouldered by the churches and synagogues, the corporations and communities, the neighbor and the neighborhood, BUT, for God's sake we can't suddenly change horses in the middle of the stream! The whole welfare system that has taken years to produce can't be just dumped on a society that is educationally and volitionally unprepared. Not without losing those three million down the drain, not to mention the other millions that are not homeless at present, but would join the other three million if the present welfare system were to drop them mid-stream without other recourse.

We do believe that with motivation, education in awareness, strong media support and the pressure of necessity the private sector will gradually come to the forefront in dealing with these problems. It is going to take strong leadership of people both in government and private sectors and it is going to take time. The homeless and ill, the malnourished elderly and young do not have time. Further cutbacks in the WIC Programs, School Lunch Programs, Food Stamp and Aid to Dependent Children Programs at this time should be unthinkable.

I would like to mention here that I not only represent the poor, I represent a segment of the private sector that has been caring for the underprivileged and homeless for the past twelve years. I believe the Jesus House could well be a model of what can be done to meet immediate problems head-on. Once we have implemented other long term plans involving after-care for the mentally ill, and supportive re-training for families the e is no doubt it could serve as a pattern for emulation.

At present the Jesus House provides food, shelter, clothing, food baskets, and other assistance in areas of rent and utilities and transportation (gasoline, bus tickets, etc) to an ever increasing number of people. The Jesus House is operated on an entirely voluntary basis, most of the staff are former street persons or were temporarily disadvantaged. There are no salaries, from the director to the pot washer and no fee is ever charged for any service. We believe the Jesus House is successful in meeting the needs of a large number of people because it is operated by dedicated and caring people and funded largely by caring people in the community. As the numbers of people began to rise suddenly two or three years ago we utilized some Federal emergency funding plus we began using commodities. Up until that time it had not been necessary. This seems to us to be an example of how the private sector could operate, using government funds only on occasional emergency basis. With both private and government sectors working hand in hand to alleviate human suffering and to expedite programs that would stem the tide toward a "Welfare State".

As an indication of our present rate of increase...we fed 400 persons in our food line, making a total for the month of March 39,488 meals, with still a few days to go...last year on March 21st the total was 19,262... an increase of 20,226. We have an average increase in families coming for food baskets of 2 to 300 per month. Our total food baskets last year was 12,000 or 1,000 per month. The average family consists of five.

Our records show that approximately one half of our food basket recipients are also receiving AFDC and/or food stamps. This indicates to us, as well as some of the information on sample applications (copies of which were handed out) that:

1. Food stamp amounts for AFDC families should be reviewed as they usually are not enough to get the family through the month. (When we say AFDC families, unfortunately that generally means - a one parent family. Most usually it is the mother. We feel this needs attention. Why should a husband and father who is unable to find work, have to leave home and abandon his family so that they might be eligible for AFDC? Would it not be possible to have a temporary 3-6 month plan whereby the whole family could have assistance with a check and food stamps. Perhaps this could be implemented with the private sector taking over after this period if the family is still in dire circumstances. It seems this would prevent much of the break-up of the family unit and other resulting problems, i.e., delinquent and runaway children... truancy...etc.

2. Emergency food stamp assistance seems to us to be too restrictive and limited. We see many people asking for food baskets who have been denied emergency stamps, even though the family has an immediate need for food. We also understand that persons awaiting Workmen's Compensation or Unemployment are not eligible even though that waiting period is often prolonged.

3. We feel the total levels of food stamp assistance are too low. Families with already low incomes frequently get so few food stamps (if they qualify at all) that the assistance is almost useless...for example... $10.00 to $50.00... we all know that you can hardly walk in and out of a store for $10.00 any more!

   The disabled and elderly, those on disability and SSI are not making it, and many of them only qualify for $10 - $15. This should be reevaluated.

4. There is no welfare assistance available in this state for the pregnant mother not already on AFDC until six weeks after the child is born. If she is not working, we are still trying to figure out how she is supposed to live and eat to insure her health and the child's.

5. Commodities. We would like wider variety of commodities, that could not only be used in on-site feeding programs but could be utilized in food baskets as well. It is our understanding that commodities are not to be used in food baskets. Such items as butter, cheese, peanut butter, honey, canned meats, and milk would add protein , would add greatly to the nutrition content of most food baskets. The rising cost of food is making it more and more difficult to provide food baskets that are well rounded nutritionally and that will last more than two or three days.

   In this area many agencies providing food baskets have a "once every six months" policy, others vary according to zip code areas, all told this is very limiting on the amount and times available for baskets.

   We would like to know if there could be commodity food banks set up in depressed areas with volunteers and DHS personnel perhaps in control.

There are many other areas and possibilities too numerous to discuss here. One of our staff members who deals in statistics is here with me if you care to ask him any questions.

Feeding the hungry, clothing the naked, caring for poor and ill, bringing the stranger into our houses are all an integral part of Judeo-Christian teaching and American Heritage. We believe that it is possible that caring concerned people will become more and more involved doing these things. Until that time, we, all of the poor and homeless will still need your help.

We would like to invite Chairman Panetta and Representative Emerson and their staff and entourage and everyone here who would care to, to come to our House for lunch and see what we do and perhaps then you can go back to Washington to your House and see what you can do.

Thank you.

Nehiamiah 8:10 ...."Send portions unto them for whom nothing is prepared!"

BACKGROUND INFORMATION

Within the last year, the Jesus House has greatly expanded its ability to meet the needs of homeless and hungry individuals and families in Oklahoma City. The former Orchard Park School building (1335 W. Sheridan, Oklahoma City) was leased from Oklahoma City Public Schools in April 1983. The building was repaired, renovated, and equipped as an emergency shelter and feeding site with the help of generous donations of money, equipment, and services from churches, foundations, local businesses, and numerous individuals. The new Jesus House facility opened for business in July, 1983, but work continued on the building in the following months. In February, 1984, an anonymous donor provided funds to purchase the school building for the Jesus House. Ownership of the building provided a permanent location for the ministry. This enabled further renovation of the building to add laundry facilities, family shelter space, and better storage space.

The expanded facilities allow for expanded efforts of the staff of the Jesus House to provide help to needy people in Oklahoma City. The shelter space at the school filled up the day it opened, so the house at 426 NW 9th Street was retained as a secondary sleeping facility. Combined sleeping facilities allow 120+ persons per night to be sheltered. The new kitchen facility at 1335 W. Sheridan allows for safe preparation of 500+ meals per day with storage and preparation of food for mobile meal programs, as well. In addition to those who receive shelter and meals, approximately 125 percons now receive other emergency assistance each day. Such assistance may involve help with rent or mortgage payments, medical aid, food baskets, transportation, clothing, utility payments, employment assistance, counseling, or other general crisis aid. Many in need still have to be turned away or referred to other agencies because of funding limitations.

The expansion of the Jesus House facility and ministry has, of course, greatly increased the need for operating funds. Although all staff continue to work with no salaries, funds needed to operate the shelters and provide needed emergency assistance have increased as the number of persons requesting and receiving assistance has doubled. Many churches and individuals continue to provide loyal financial support and in-kind contributions to the Jesus House on a regular basis, but this is not presently adequate to meet monthly expenses. The Kerr and Noble Foundations have already provided generous grants to renovate the building and keep the ministry operational to date. The summer months have brought a slump in contributions, so assistance from other funding sources is badly needed to get through this period. Additional fund raising efforts are planned for the fall to expand the number of individuals, churches, and others who regularly contribute to keep the Jesus House fully operational.

Description of the Organization

The Jesus House is a non-profit inner-city Christian service organization providing shelter for temporarily homeless individuals and families, a daily food line that is open to anyone who needs a hot meal, and other forms of emergency assistance to needy people in Oklahoma City. Such assistance may involve help with rent or mortgage payments, medical aid, food baskets, transportation, clothing, utility payments, education and employment assistance, counseling, or other general crisis aid. Many in need still have to be turned away or referred to other agencies because of funding limitations.

The Jesus house was begun ten years ago by Ruth Wynne and Betty Adams, who still serve as directors for the ministry. Ruth and Betty, and the others who have joined in this work over the years, reach out a loving and caring hand to growing numbers of people who find themselves unemployed and bound by poverty or an inability to deal with todays demanding society. The directors and staff receive no salaries and operate this ministry out of their desire to serve God and people in need. The ministry is supported by private donations from concerned individuals, churches, foundations, and other groups.

The Jesus House is incorporated with the State of Oklahoma as a non-profit Christian service organization. They also have approved non-profit status under Section 501-C-3 of the Internal Revenue Code. An active board of Directors assist Betty and Ruth in the operations of the ministry. Bookkeeping services are utilized to help to assure complete accounting for contributions and grants.

Statement of Community Need

The economic situation in Oklahoma in the last two years has brought dramatic increases in the numbers of homeless and hungry persons in Oklahoma City. The number of persons needing other types of temporary emergency assistance has also greatly increased. Organizations providing this type of assistance have seen requests for assistance increase 100%+. The Jesus house obtained a new larger facility in April, 1983 to try to deal with these increased demands. The expanded shelter space filled up the day it opened. Numbers of people needing food and other assistance continues to increase and the expanded facilities have allowed for expanded efforts of the Jesus House staff to meet these needs.

The Jesus House has found that by providing temporary emergency assistance, they are able to keep people alive during crisis circumstances and to assist many to get on their feet and to become self-sufficient again. The length of time individuals or families need assistance varies depending on economic, health, and other circumstances. While many people just need a one-time rental, utility, or other assistance, others need shelter until they can get a job and accumulate money to get housing, etc or until they can recuperate from an illness or injury. The Jesus House tries to assist people until their emergency needs are met.

(The attachment is held in the committee files.)

Potawatomi
INDIANS
of OKLAHOMA
ROUTE 5 BOX 151 SHAWNEE, OKLAHOMA 74801

ROBT LEON BRUNO
TRIBAL CHAIRMAN

Stan Holder
TRIBAL ADMINISTRATOR

JERRY R LEVI
DIRECTOR

TESTIMONY

The Citizen Band Potawatomi Indian Tribe is a federally recognized tribe whose origins are believed to have originally came from the Great Lakes region in North America. After a gradual migration southward The Citizen Band Potawatomi set up headquarters in Oklahoma in 1870. The tribal headquarters is located in southern Pottawatomie county between the cities of Shawnee and Tecumseh, Oklahoma.

The Citizen Band Potawatomi number approximately 11,000 members, of which some 1,300 live in and around the former reservation area in Shawnee. As an organized tribal government., the Potawatomi have managed to secure a number of various federal programs that have promoted the health, education, and welfare of their tribal members. Among the federal programs that have been secured have been those designed to aid in the Food and Nutrition area. Among the nutrition programs that the Potawatomi currently contract for are: The (WIC) Special Supplemental Food Program, The Food Distribution Program on Indian Reservations (FDPIR) and the Nutrition Program for the elderly (TITLE VI).

The (WIC) Special Supplemental Food Program is currently serving nearly 1,200 participants in a rather large area. The counties served include Pottawatomie, Seminole, Cleveland, Oklahoma, Logan, Lincoln and Payne counties. We feel that this is an extremely important program in helping provide the basic nutrients for underprivileged, women, infants and children.

Another program that the Potawatomi Tribe is currently administering that deals with Food and Nutrition is the Elderly Feeding Program. This particular program is located on the premises of the Citizen Band Potawatomi Tribal land area. A noon meal is prepared on site and served in a group setting for those individuals age 60 and over. Transportation is provided for those individuals who request it and this program has been quite well received, as evidenced by the average daily attendance at the feeding site. We feel that the ability of the tribe to assist in helping provide at least one meal per day to the elderly has improved the health and nutrition of those elderly we have managed to serve.

Still another program that the Citizen Band Potawatomi is administering that deals with Food and Nutrition is the Food Distribution Program on or near Indian reservations (FDPIR). The Potawatomi Tribe has been administering this particular program since June of 1983. When the Food Distribution Program was originally applied for in 1983, the estimated service population for the program was projected to be 1,200 participants. The service area at that time was concentrated in Pottawatomie, Seminole, and parts of Cleveland and Oklahoma counties. Since the inception of the program the service population has increased to an average monthly participation level of 2,500 participants, the service area has been expanded also, to include Lincoln and Logan counties which gives the Potawatomi Tribe a large service area located primarily in Central Oklahoma.

The impact area of the Potawatomi Food Distribution Program has affected all of the various tribes that reside within the former reservation area of the Potawatomi Tribe, which include The Absentee Shawnee, Sac and Fox, Kickapoo, and Potawatomi in the Shawnee area. In the Seminole county area the Seminole Tribe is the major tribe that has been affected. The Iowa Tribe is the primary tribe that is being served in Lincoln and Logan counties.

The target population of the Native American , unemployed or under employed, low income households situated primarily in the rural areas on or near former reservation areas have been the clients that we normally serve. The underestimation of the number of participants to be served when the program originally began, resulted in some funding problems which we will discuss later. Lack of concise data in so far as census and unemployment rates for the Native Americans in our area have had a significant effect on the increase in participation in our Food Distribution Program. The aggregate unemployment rate for the general population in the areas that we serve, as of January 1985 is 7.9%. The unemployment rate for Native Americans in the same area is 25% , as estimated by tribal authorities.

Other evidences of the need for the program and the popularity has been the signigicant growth , from an estimated 1,200 participants to well over 2,500 at the present time. At the same time the growth has occurred, the need for additional space has been recognized and the various tribal leaders have been able to assist the Food Program. The Seminole Tribe has contributed the use of a 3,600 square foot building for office and warehouse space. The Potawatomi Tribe has used a Block Grant from Housing and Urban Development to give the Food Program additional warehouse and office space of 5,000 square feet. The Iowa Tribe has made space available to distribute food at their facility.

During the nearly two years that the program has been in existence there has been tremendous growth with the problems that normally accompany such rapid growth. The logistics of ordering and receiving such a quantity of food to be distributed to the large number of people that are currently being served has been staggering. An example of the quantity of food that was handled by our organization was the estimated value of well in excess of $800,000 as determined by the U.S. Department of Agriculture, in FY-84.

We would like to commend the State of Oklahoma, Department of Human Services, for the fine job they have done in giving assistance to us in the ordering and delivering of these foods to our warehouses. They have experienced some of the same growing pains that we have had, in that the program, statewide, has grown at such a rapid pace that they have had problems in maintaining proper inventories of the food items that we distribute. We hope that sometime in the near future the growth rate will level off and all of the

Native American programs will be able to maintain proper inventories of the basic food items, and to give our participants the choice of items that they desire. It is, our feeling that the participation level is significantly affected by the choice of foods that our participants have.

Because of the way that the Food Distribution Programs on Indian Reservations are funded, by a formula of 30% of the value of the food we distribute, we maintain that in order to effectively administer the program within the administrative funding constraints that adequate food choices and inventories must be maintained to keep the people from getting tired of having to eat the same meat or vegetable item month after month.

In addressing the fiscal or funding level needs of the Food Distribution Program, I think that attention needs to be given to those programs that are engaged in a high level of tail-gating. We are engaged in tail-gaiting to a certain extent in that we transport some foods to Seminole on a daily basis, and all of the foods to Perkins twice monthly, but our tail-gating is not nearly as significant as some of the other tribes in the State of Oklahoma.

We think a weighted factor, in addition to the standard formula of 30% for administrative funding should be given to those tribes that tail-gate extensively. Another factor that concerns us, is that now that the program from our stand point is nearly two years old, and the participation has more than doubled from our original expectations, some of the equipment that was originally purchased with start-up funds is no longer adequate or is nearing the stage where replacement or extensive repairs will have to be made. We believe that in the near future that allowances for replacement equipment or major repairs to existing equipment is going to have to be made.

In reference to the ruling that we cannot serve participants that reside within the city limits of towns that have more than 10.000 population, we have some serious reservations about that particular ruling. Because of the high unemployment rates in the areas we serve and the movement of the unemployed into metropolitan areas find gainful employment which in most cases is at minimum wage or slightly above, we feel that these individuals should have the same opportunity to choose between the Food Stamp Program and the Commodity Food Distribution Program, as their counterparts that reside in the rural area there are advantages and disadvantages in either the Food Stamp or the FDPIR, dependent on family circumstances or preference of that particular individual, and it is our contention that these individuals should be given the freedom of choice.

In my experience of being around federal programs on an administrative level for a number of years, with various tribes and at various capacities as an official, I am pleased to relate that the type of program that the Food Distribution Program on Indian Reservations (FDPIR) has been one of the more satisfying program to me personally, than most of the other programs that I have been associated with. The tangible aspect of being able to see the need that this program is fulfilling is especially rewarding.

Still another aspect of the program that lends credence to the need is the cooperation that we have received from The State of Oklahoma, Department of Human Services and the U.S. Department of Agriculture. The Citizen Band Potawatomi is currently in the process of establishing a computer link with the State of Oklahoma, Department of Human Services, to exchange client data with the Food Stamp Program. This pilot project is being funded by the U.S. Department of Agriculture and is particularly exciting in that in a short time we will be able to exchange data on a daily basis that is now taking a minimum of thirty(30) days to process. This will hopefully reduce dual participation.

We feel that all of the Food and Nutrition Programs that we currently administer, fulfill a vital need for the population that we serve. We sincerely hope that these programs are continued and that the funding levels are maintained at the present level or increased to meet the needs that were discussed in the earlier portion of this testimony. It has been our pleasure to present this testimony and we would like to thank the Committee for allowing us the opportunity to do so.

TESTIMONY BEFORE U.S. HOUSE SUB-COMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION

MARCH 22, 1984 OKLAHOMA CITY, OKLAHOMA

Chairman Panetta and other distinguised members and guests, it is a priviledge to be asked today to provide our views before the U.S. House Sub-Committee on Domestic Marketing, Consumer Relations and Nutrition regarding the Food Stamp Program.

My name is Elden Roscher. I am Executive Director of the Oklahoma Retail Grocers Association representing approximately 1500 retail grocers in the State of Oklahoma.

Speaking on behalf of the Oklahoma Retail Grocers Association, whose views are shared by the National Grocers Association, we are supportive of the provisions in H.R. 5151 which prohibits banks from charging retailers for the handling of Food Stamps.

It is our understanding that if all banks were to charge in accordance to rates charged by banks in some areas, that this cost would exceed one hundred fifty six million dollars per year from retailers. We feel that both retailers and banks have an obligation to support the Food Stamp Program, and by retailers being required to bundle Food Stamps into demoninations, they would be doing their share; and prohibiting banks from charging would also place them in doing their share.

I would like to address the issue of USDA proposal for a license fee for retailers.

This proposal penalizes retail grocers who serve as the middleman to assist the Federal Government in its efforts to provide for the nation's poor.

A license fee would not detour the disreputable and dishonest and would only serve as a tax on the nations reputable and civic minded small businesses.

A $50 license fee would be a small price for those disreputable and dishonest who wish to profit by frauding the Government.

A license fee would also set a precedent for further increases in upcoming years to serve USDA hunger for revenue to cover allegedly growing administrative costs. The fee proposal is a step backwards in assuring recipients access to retail food stores.

OCC

Member Denominations

- African Methodist Episcopal Church
- African Methodist Episcopal Zion Church
- American Lutheran Church
- Association of Evangelical Lutheran Churches
- Christian Church (Disciples of Christ)
- Christian Methodist Episcopal Church
- Church of the Brethren
- Cumberland Presbyterian Church
- Greek Orthodox Church
- Lutheran Church in America
- Presbyterian Church, U.S.A.
- Society of Friends
- The Episcopal Church
- The Reformed Church in America
- The Roman Catholic Church
- United Church of Christ
- United Methodist Church

Testimony to
U. S. House of Representatives
Committee on Agriculture
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Leon E. Panetta, California, Chairman
March 22, 1985
by
The Reverend Max E. Glenn,
Executive Director
Oklahoma Conference of Churches

Mr. Chairman:

My name is Max Eugene Glenn. For the past five years I have been Executive Director of the Oklahoma Conference of Churches (OCC), which is the state-wide ecumenical body in Oklahoma, composed of eighteen (18) Protestant, Catholic and Orthodox religious bodies. Prior to my return to my "roots in Oklahoma", where my grandfather homesteaded in the Cherokee Strip, I worked in Buffalo, New York; and for more than ten years worked in the 13-state Appalachian Region, as founding director of the Commission on Religion in Appalachia.

I am pleased to appear before this committee today to discuss a subject which has caused me a great deal of personal and professional pain and many sleepless nights. Having been raised on a small, poverty-stricken sand-farm in northwest Oklahoma, I can personally attest to the dehumanizing social stigma and scars inflicted upon the poor. However, the real pain I feel today comes from more than two and one-half decades of struggle to alleviate hunger and poverty in our society - and recognize that poverty has skyrocketed in Oklahoma since the 1980 census.

In 1969, while working in Appalachia, I was asked to participate on a 16-member panel to prepare recommendations for a "White House Conference on Hunger and Malnutrition", scheduled for December 1969. As a farm-boy from Oklahoma, this was both exciting and challenging because I was told that the White House and Congress had made a commitment to eliminate Hunger and Malnutrition.

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405-525-2928

Pastor Carl G. Hansen
President
The Reverend Max E. Glenn
Executive Director

I was acquainted with the 1967 funding of a team of physicians, sponsored by the Field Foundation and the 1968 Citizens Board of Inquiry into Hunger and Malnutirition in the United States, published in Hunger U. S. A. I was not shocked by the physicians' descriptions of "children with swollen stomachs, dull eyes and open wounds", because we were dealing with these daily in Appalachia.

My greatest shock was to find that Nick Kotz was correct in his analysis, "Let Them Eat Promises: The Politics of Hunger in America", 1969, that poor, malnurished children are political footballs. For me to discover that the promise of solving the hunger and malnutrition problem in America was a political ploy without substance was indeed disillusioning after giving six months to the panel. In fact, even the name of the White House Conference was changed to "White House Conference on Food, Nutrition and Health".

Mr. Kotz and Field Foundation physicians revisited the "discovered areas" of Hunger in the U. S. A. a decade later and reported in April 1979 - "Malnutrition has become a subtler problem...the fact of life for Americans living in poverty remain as dark or darker than they were ten years ago." The second conclusion of the doctors was "that while federal food assistance has made a difference, it still is far from adequate."

They stressed that "food and welfare aid meet only the bare survival needs of the poor, and that jobs, health care and decent housing must be principal concerns. But the doctors again fastened onto food aid as one concrete area in which they believe there has been significant progress and opportunity for more."

HUNGER IN OKLAHOMA - The Religious Community's Response

We would testify to similar conclusions here in Oklahoma, based upon our research and monitoring over the past four (4) years. During this period we have published three (3) carefully researched studies. I submit as a part of my testimony our most recent study: POVERTY AND HUNGER IN OKLAHOMA: A CLOSER LOOK, January 1985. The contents are: Summary of Major Findings, Poverty: A Continuing Problem, Measuring Poverty, Where Does Oklahoma Stand?, Changes in Poverty Since the 1980 Census, Updating Oklahoma's Poverty Data, Variations in Poverty Rates Around Oklahoma, Distributing Resources, Oklahoma's Safety Net, Oklahoma Poverty Census & Programs Data by County and Region, and State & Federal Poverty and Hunger Resources.

Before discussing the findings of this study, I lift up the basic principles which underlie the concern and involvement of the religious community.

Principles:

1. Our response to the poverty and hunger crisis springs from God's love for all people. God has given us a love that will not turn aside from those who lack the basic necessities of life. Our own human wholeness no less than theirs is at stake.

2. We affirm the Biblical truths that human beings are created in the image of God and that every person is of intrinisic worth before God.

3. The human rights derived from God include the the right to freedom to exist without abuse, manipulation or interference from any human agency; the right to basic subsistence, adequate work, food, clothing and shelter, together with liberty of thought, conscience and religion; the right to participate in in community, and the right to meaningful existence. These right are grounded in the value God places on human life.

4. "The earthis the Lord's and the fullness thereof." Our concern for the poor is basic to the tenets of our faith - "Yahweh ... is always on the side of the oppressed", says Psalm 103.

5. Because other considerations flow from these, we cannot rest until the fruit of God's earth is shared in a way that befits God's human family.

SUMMARY OF MAJOR FINDINGS

POVERTY AND HUNGER IN OKLAHOMA: A CLOSER LOOK

January 1985

..No matter how poverty is measured, the number of poor is increasing

..As of the last census:

- one in every ten Oklahoma families lives below poverty while almost one in five Indian and one in four black families do; if the black or Indian family is headed by a woman and has children, over half live in poverty

- one in seven Oklahoma children is poor, but the number jumps to one in four Indian children and one in three black children

- one in five older Oklahomans live below poverty, one in four of those both female and old are poor

..Poverty has skyrocketed since the 1980 census

..Adjusted estimates of Oklahoma poverty count more than half a million people living in poverty; almost a 30% increase since the '80 census was taken

..Federal budget changes have reduced grants to Oklahoma and state citizens nearly a billion dollars since 1981...more than $300 per state resident

..The state share of the cost of poverty programs has sharply increased since 1981

..Reductions in benefit programs for individuals are the greatest for households with incomes of less than $10,000

..Because of inflation, benefit reductions, and increased taxes, extremely large increases in earnings were required for poverty families to keep them from falling deeper into poverty

..In 1983, Oklahoma had the lowest number of people and cases on public aid since aid programs began in 1937

..The overwhelming majority of needy Oklahomans are unserved by most of Oklahoma's poverty programs

..In spite of restricted eligibility, participation in poverty programs is up due to the radical increase in the number of poor in Oklahoma

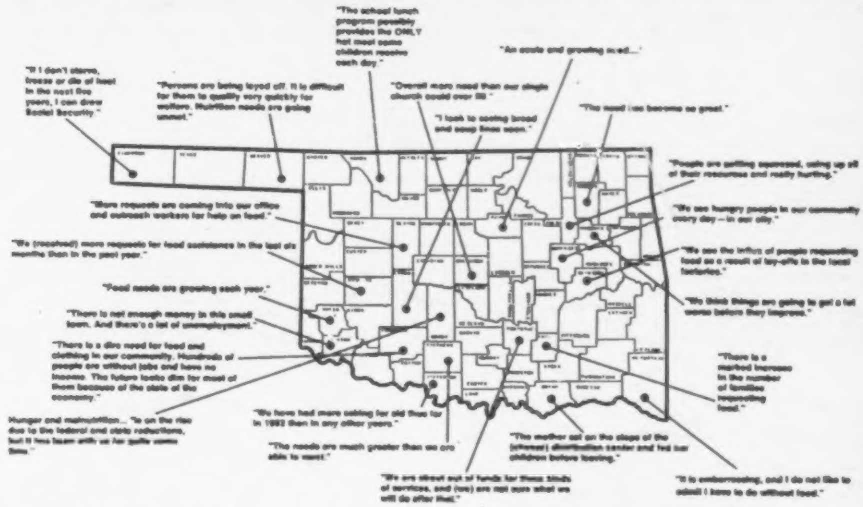
"THE OKLAHOMA CONFERENCE OF CHURCHES SUPPORTS THE WORK OF CHURCH AND OTHER AGENCIES IN ALLEVIATING POVERTY AND HUNGER, AND URGES INCREASED SUPPORT FOR THEM. HOWEVER, THE PROBLEM IS FAR TOO MASSIVE FOR PRIVATE AGENCIES ALONE. THE RESOURCES THAT LOCAL, STATE AND FEDERAL GOVERNMENTS COMMAND MUST ALSO CONTINUE TO BE USED IF THE BASIC NECESSITIES OF LIFE ARE TO BE ASSURED TO ALL OF OUR CITIZENS. EMERGENCY AID IS NOT ENOUGH. WE ALSO NEED TO THINK IN TERMS OF LONG-RANGE STRATEGIES THAT DEAL WITH THE CAUSES OF POVERTY AND HUNGER."

The Oklahoma Conference of Churches conducted a year-long study of Hunger and Malnutrition in Oklahoma in 1982-1983. This study included a survey of local churches. The findings of this survey of local congregations and parishes is attached.

PREPARE

WINTER 1982-1983

HUNGER AND MALNUTRITION IN OKLAHOMA


"The school lunch program possibly provides the ONLY hot meal some children receive each day."
"An acute and growing need..."
"If I don't starve, freeze or die of heat in the next five years, I can draw Social Security."
"Persons are being layed off. It is difficult for them to qualify very quickly for welfare. Nutrition needs are going unmet."
"Overall more need than our single church could ever fill."
"I look to seeing bread and soup lines soon."
"The need has become so great."
"People are getting squeezed, using up all of their resources and really hurting."
"More requests are coming into our office and outreach workers for help on food."
"We see hungry people in our community every day—in our city."
"We (received) more requests for food assistance in the last six months than in the past year."
"We see the influx of people requesting food as a result of lay-offs in the local factories."
"Food needs are growing each year."
"We think things are going to get a lot worse before they improve."
"There is not enough money in this small town. And there's a lot of unemployment."
"There is a dire need for food and clothing in our community. Hundreds of people are without jobs and have no income. The future looks dim for most of them because of the state of the economy."
"There is a marked increase in the number of families requesting food."
Hunger and malnutrition... "is on the rise due to the federal and state reductions, but it has been with us for quite some time."
"We have had more asking for aid than for in 1982 than in any other years."
"The mother sat on the steps of the (cheese) distribution center and fed her children before leaving."
"The needs are much greater than we are able to meet."
"We are about out of funds for these kinds of services, and (we) are not sure what we will do after that."
"It is embarrassing, and I do not like to admit I have to do without food."

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OKLAHOMA IMPACT P.O. BOX 22078 • OKLAHOMA CITY OK 73123 • (405) 722-3100

The Legislative Information Action Network of the Oklahoma Conference of Churches

PRIVATE NON-GOVERNMENT FOOD ASSISTANCE PROGRAMS

America has for the longest period of time provided food aid not from its government, but rather from its citizens, volunteering their time, energy and resources. The groups who provided food aid usually had religious or political ties.

According to Chudacoff's *The Evolution of American Urban Society* (Prentice Hall, 1981), the early 19th century saw our nation's aid system dominated by religious-oriented sects. Floods of immigrants in the 1850s and again in the 1890s resulted in a shift in the character of the charitable organizations providing food, shelter and clothing. Political bosses, primarily in the urban areas, took up the slack and exchanged relief for political support. After the boss system collapsed, those who emphasized the social aspects of Christianity dominated relief work once again.

Only when overwhelmed by the economic conditions of the 1920s and 1930s did government step in to assume any food aid responsibility. As government aid and federal food assistance grew over the next half-century, many people assumed it had replaced the bulk of private charitable efforts.

Not so.

Community-based charitable groups have consistently been a resource to hungry people. Primarily emphasizing emergency help, non-profit groups work in a partnership with government aid programs.

CHURCH-OPERATED:

Churches have always been responsive to the needs of the less fortunate members of their community. Much has been said of late about the churches assuming some increased responsibility in this area. In an effort to determine what was already happening, in late 1982, IMPACT undertook a study concerning how Oklahoma churches respond to people who come to them in need of emergency aid. Almost 400 churches representing 13 of the state's major denominations responded. Urban and rural churches from every area of the state, covering 67 of Oklahoma's counties, provided enough information and opinion to reflect the diversity of Oklahoma attitudes on the issue of hunger. Nearly three-fourths of all churches provided specific emergency food assistance to needy people. About one-third of them kept food on their premises and passed it out as the needs came to their attention. Another 42% provided direct food aid in some other manner. Only 11% of the churches felt there was no need to offer food help. The remainder either were planning to begin providing aid or they did not provide food for a variety of reasons ranging from a shortage of storage space to a lack of money.

Churches and ministerial alliances that had food closets were more often in Oklahoma's urban areas. Over 40% had been offering such services for many years. A significant number, however—almost 35%—have initiated this kind of help, recognizing the need growing during recent years. No church responding to the survey limited their help to their own membership or denomination. Most provided assistance to any needy person, while a few (8%) took referrals only from specific agencies, such as welfare, and fewer still (5%) limited their aid to residents of the local area. Two of the churches indicated that they would provide assistance to anyone in need—but only once.

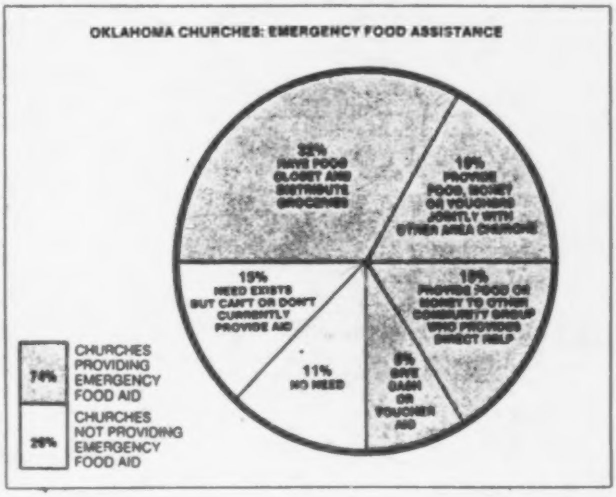
Over two-thirds of the churches with food closets assess their communities' need for emergency food assistance to have increased since the beginning of 1981. About one-third believed it was about the same. One single church noted a decline. Of those venturing guesses as to how much the need had increased, low guesses were 10% and high estimates were 600% with the average set at 138%.

Speculation on what the increase was attributable to provided insight into what is affecting people at the community level. The responses consistently fell into one or more of three major causes:

- 55% RESPONSE —
  problems in the local communities, economy, inflation, unemployment, recession, etc.
- 34% RESPONSE —
  people from other areas of the state or other states coming into the local community or passing through in search of employment.
- 11% RESPONSE —
  cuts in government assistance programs.

Estimates of the amount of food given to the hungry each month varied from $15 to $1,350, averaging $200 per month per church.

OKLAHOMA CHURCHES: EMERGENCY FOOD ASSISTANCE



Comments from IMPACT Survey

"We generally feel that we are being taken advantage of by persons who may not have a legitimate need. But, we feel that we would rather help persons not deserving help than to deny those who do have a real need."

"I'm sure there must be hungry people in (our) county if we knew who they were."

"Almost all who asked for help have appeared to be well-fed, some overly fed."

"Helping hungry people is good evangelism."

"Our parishioners already contribute all that they can. We are not a money-making institution; we do not support drug addicts. As we have tradition in the United States, people should to to city and welfare for help."

"There doesn't seem to be any hunger problems here."

"Since sending persons to the police station, we have cut our calls by two-thirds."

"Free handouts to these people only serve to perpetuate their condition."

"For us... hunger is invisible... unless we go to other parts of town or notice the transient moving through. That, however, does not either minimize the issue or negate our responsibility."

"We do have hunger and malnutrition... due mostly to ignorance or plain laziness."

"This is a wealthy farming community and the folk here are eager to help."

"Worst problem is sorting out 'deserving needy' from 'cons'..."

"It's a shame that government is shirking responsibility while poverty is increasing."

Projecting survey results to Oklahoma's approximately 4,500 local churches:

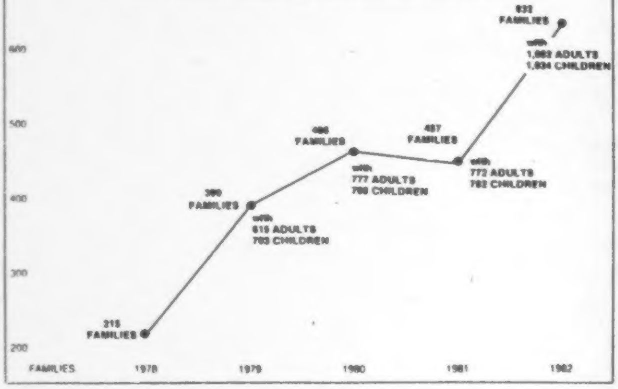
3,330 churches in Oklahoma currently provide a total of **$666,000** in food aid every month for an annual expenditure of **$7,992,000**.

Challenges to the religious community to compensate for federal budget cuts in the local community would add an additional **$20,000** burden on each of the state's **4,500** churches (based on Oklahoma's expected $92 million loss in federal programs for Fiscal Year 1983).

MUSKOGEE COOPERATIVE MINISTRIES COMMUNITY PANTRY
INCREASE IN NEED FOR EMERGENCY FOOD

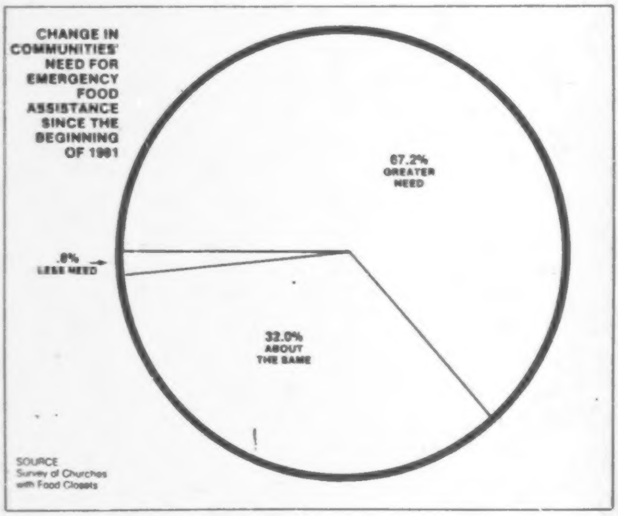
1978-1982

(1982—Full Year Projected from January through June Data)



HOW CHURCHES RESPOND TO EMERGENCY FOOD ASSISTANCE REQUESTS:

Give Groceries	33%
Work with Other Ministers in Area to Provide Aid	24%
Send to a Social Service Agency that Provides Emergency Food Aid	20%
Give Cash	7%
Send to Someone or Some Group within the Church to Help	6%
Take or Send to Grocery or Restaurant with Voucher	6%
Send to Police	3%
Don't Help	1%



SOURCE
Survey of Churches with Food Closets

(The publication "Hunger and Malnutrition in Oklahoma" is held in the committee files.)

COOPERATIVE COMMUNITY MINISTRY: CREATING OPEN CARING COMMUNITIES

Many communities in Oklahoma are experiencing real trauma as a result of the decline in the oil industry, the agricultural crisis and the major cut-backs in the funding of social services. These economic and social realities are compounded by a growing sense of helplessness as our larger society moves into the "Communication Era". We need to recognize that many at the grassroots level are ready for "fundamental change". In fact, our experience would indicate that our constituencies are more ready than our leaders.

Rationale. The plan of action for Statewide Ecumenical Ministry of the Oklahoma Conference of Churches for 1985 states:

> "Our modern society is one of continuous change. The rate of change has accelerated at a pace that leaves our society with a blurred perspective of its roots and its dreams.
>
> "One aspect of change has been the transfer of control of planning from within the local community to entities outside. Since planned change occurs in the direction of those who make the plans, it is their intentions that shape the environment of the community. Nowhere is this more evident than in the small towns of rural Oklahoma. As institutional systems of human services have replaced the local community caring relationships and patterns, the aged, the poor and the disabled have been lost between two systems of caring.
>
> "Now that the growth of institutional services has slowed, the informal caring systems in the community must be strengthened to respond to the increased needs of the socially and economically marginal populations. Cutbacks in federally funded services require local communities to find new ways to effectively combine the informal caring responsibilities with the existing social services. Without such an effort, those who cannot function prosperously in community life will be left with dwindling resources."

This theme is being struck by more and more secular and religious thinkers. The Oklahoma Conference of Churches is developing a project which will consider how to build inclusive, caring communities in the light of new realities in the rural areas of the state. The project will be particularly impacted by the current farm crisis and will need to rethink the shape of the rural areas of the state in the light of the profound changes which are already developing.

The Conference has demonstrated, in its work with 60 communities over the past three years, that the OCC can serve as a "catylist" to bring private and public sectors together in new ways to address the needs of their community. It is the goal of this project to develop and pilot new models for community-based planning and action.

RECOMMENDATIONS

On January 3 and 4, 1985, the Oklahoma Conference of Churches, and its legislative network called IMPACT, convened a panel of experts including agency persons responsible for the various food and poverty programs, private sector persons providing emergency services, and representatives of the religious community, to analyze the updated research, Poverty and Hunger in Oklahoma: A Closer Look, and develop recommendations. These recommendations are as follows:

On the legislative level, we recommend:

1. Aid to Families with Dependent Children (AFDC) be supported at 100% of the Poverty Level rather than at the current 65% level.

2. AFDC benefits be extended to two parent families who are in need because of unemployment.

3. Funding be maintained or increased for state operated programs which address the poverty needs of our citizens.

4. Develop a state poverty budget which would assist in clear identification, monitoring and evaluation of all the state's efforts to address the poverty needs.

5. Passage of a tax credit for charitable food donations to encourage personal, agricultural and corporate participation in helping to feed the hungry.

From the private sector, we recommend:

1. Businesses and professions explore and expand "pro bono" (that is, a system of free services) approaches for meeting the needs of the poor.

2. Business and professions remain attentive to the opportunity they have to provide economic opportunites to the poor.

To ourselves, the religious community, we recommend:

1. Publicize the needs of the poor, identify and reinforce ways those needs are addressed by the churches.

2. Urge the increased support for poor and hungry people by the churches.

3. Make available and train from their local membership, persons who can serve as advocates for the poor.

4. Actively support IMPACT's advocacy efforts on behalf of the poor.

WE CHALLENGE OURSELVES AND THE TOTAL RELIGIOUS COMMUNITY OF OKLAHOMA TO WORK FOR THESE SOLUTIONS ON ALL LEVELS OF INVOLVEMENT.

Thank you for this opportunity to share the results of our research and advocacy efforts to eliminate hunger, malnutrition and poverty in Oklahoma.

Attachment:
Poverty and Hunger in Oklahoma: A Closer Look, January 1985

OKLAHOMA ANTI-HUNGER PROJECT
P.O. BOX 60410 Oklahoma City, OK 73146
(405) 525-2928

STATEMENT OF MARY MC QUAID, DIRECTOR, TO
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS AND NUTRITION, COMMITTEE ON AGRICULTURE
U. S. HOUSE OF REPRESENTATIVES
OKLAHOMA CITY, OKLAHOMA
MARCH 22, 1985

I appreciate the opportunity to submit this testimony today to members of the Subcommittee on Domestic Marketing, Consumer Relations and Nutrition.

I am Director of a statewide agency that promotes the need for adequate nutrition for all Oklahomans, especially the poor, through education, networking and advocacy. These objectives are implemented through coordinated activities with over 300 individuals, organizations and churches that are concerned about food and economic justice issues.

After I learned that I was to testify here today, I called a number of these groups and asked them for specific comments regarding the issues of concern to this Subcommittee. My testimony incorporates my opinions and observations as well as comments from these other groups.

Since I am not responsible for administration for any of the federal food programs, my primary concern is that programs for the poor operate in the best interest of the poor. While recognizing the need for efficient administration, I do not support efforts that erode, hinder or impede client-oriented policies or that limit benefits to recipients for the sake of administrative convenience, unless it also makes the programs better for the clients.

Regarding specific aspects of H. R. 5151 as it relates to the Food Stamp Program, I support the following recommendations:

1. Increasing the resource limit from $1500 to $2250 and from $3000 to $3500 for elderly or disabled households.
2. Increasing the allowable limit for vehicles from $4500 to $5500.
3. Increasing the Earned Income Deduction from 18% to 20%.
4. Expanding the dependent care deduction to actual costs.
5. Separation of the dependent care deduction and the shelter deduction. Or at the minimum, raise the allowable amount for the combined deduction.
6. Extending categorical eligibility to AFDC and SSI recipients.
7. Adoption of the Low Cost Food Plan rather than the Thrifty Food Plan.
8. Update the allotments on a more timely basis.

I specifically want to encourage legislation that supports Nutrition Education as a part of the Food Stamp Program. Oklahoma has an excellent program that provides many FSP households the opportunity to learn how to more effectively purchase and prepare nutritios but low cost meals. I also am supportive of federal matching funds to reinstitute state outreach efforts, on an optional basis.

Conversely, I am opposed to four components of H. R. 5151:

1. Mandatory Monthly Reporting/Retrospective Budgeting for all households. MRRB should be a state option.
2. Error rate sanctions that are tied to dollar-for-dollar penalties.
3. Mandatory workfare. Although I do support job search efforts under the right conditions.
4. Block granting of any nutrition program(s) under any circumstances.

My comments regarding the Temporary Emergency Food Assistance Program (TEFAP) are more general. The operation and administration of the program is currently causing few problems, overall, for the agencies and the clients. After the initial difficulties were dealt with, especially with the determination of eligibility and verification, most agencies comment that they are pleased to have the program and that it is of great help to their clients. The agencies' relationship with the Department of Human Services is good and problems can usually be worked out. Almost every agency complained about the paperwork because of limited staff or volunteers coupled with increased client caseload.

All the agencies I talked to have indicated that they were able to get all the butter and cheese that they needed but that agencies in the counties that do not receive the additional foods would like to receive a better variety of product.

Very few had complaints about receiving spoiled food. When asked what the state policy was regarding disposal or disposition of spoiled products, no agency could tell me what the policy was regarding this situation.

All the agencies supported continuation the TEFAP. Those that were familiar with the FEMA food and shelter assistance monies also encouraged the maintance of the program in Oklahoma becasue of our continuing economic and employment problems.

Several of the agencies that I talked to did not participate with TEFAP because of the restrictive eligibility requirements that differ from their own, especially the emergency food closets. They also indicated that requiring documented verification,rather than the signed statement of self declaration, was unnecessary and that they should be permitted to require only a signed statement from the client in all cases and not as the last resort.

I encourage continued federal funding for administrative costs incurred as a way of insuring equitable access to all agencies.

Another program that I am concerned about is the Expanded Food and Nutrition Education Program (EFNEP). I support continued funding of this program that allows paraprofessionals to conduct one-to-one nutrition education with families that need assistance in stretching their limited food dollars.

I also support efforts by the House of Representatives to implement national nutrition monitoring. I encourage the initiation of a Nationwide Food Consumption Survey of Low Income Persons and the passage of the National Nutrition Monitoring and Related Research Act.

In closing, I want to encourage Congress to listen to its poor constituents and to their advocates and to recognize that the problem cannot be solved be ignoring one of the major sources of assistance, the federal government.

States, churches and private organizations do not have the resources to solve this increasingly serious and devistating problem. When we look at those groups that are most hungry- female headed households with children and the elderly- we see the most vulnerable segments of our population being denied assistance that this country has a responsibility to provide.

HEARINGS OF THE HOUSE OF AGRICULTURE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION

March 22, 1985

Mr. Chairman: I am Dr. Esther Winterfeldt, Professor and Head of the Department of Food, Nutrition and Institution Administration at Oklahoma State University, Stillwater, Oklahoma. With me is Janita Morgan, Director of the EFNEP Program for Oklahoma administered from this department.

I am pleased for this opportunity to speak on behalf of a very important program in Oklahoma. EFNEP has been a means of reaching low income families since 1969 who may otherwise never have been reached. All evidence points to tremendous benefits to adults, youth and families in improved diets and improved health along with a host of side benefits.

EFNEP is effective because it helps people help themselves. It is based on the most universally valid concept of self-help; by offering individualized assistance in the family setting starting where the homemaker is and building on identified needs.

It is effective because we have studies in Oklahoma showing improvements in level ~~and~~ of knowledge and in actual food behavior. It is effective in improving general living skills - better money management, improved sanitation, energy conservation, better school attendance of children, better job performance of the husband, less job absenteeism, improved time management, more participation in community affairs.

I am submitting a document showing the history and background of EFNEP in Oklahoma, the number of persons and families reached, the interface with other agencies and the results of the program. For the year 1983-84, 3018 families and 4,978 youth were reached in Oklahoma through this program.

Since 1969 the number is 54,992 low income families and 131,637 youth. Of these families, 47~~70~~% of the children were five years and under. Of the families enrolled in EFNEP 1,583 were enrolled in Food Stamps, 868 in WIC and 2,247 in other child nutrition programs. EFNEP personnel have worked closely with the Department of Health and Human Services in presenting the "Make your Food Dollar Count" workshops in three districts.

The extensive utilization of volunteers is an outstanding feature of the program.

(Attachments follow:)

HISTORY AND BACKGROUND OF EFNEP IN OKLAHOMA

Spring of 1968, a publication entitled "Hunger, U.S.A." was released. This report on millions of Americans who had incomes which were inadequate to supply basic necessities of life and it also reported on the inadequacy of government food and assistance programs in remedying the situation.

Early in November, 1968, the Federal Extension Service announced that $10 million of Federal funds had been made available to expand Extension Home Economics education programs for low-income families with primary emphasis on foods and nutrition.

Need

Malnutrition is more prevalent among poor than other groups in the United States. Some reasons are: lack of knowledge of the body's food needs for good health and lack of knowledge of skills needed to buy and utilize foods for best possible nutrition with available resources.

Primary Objective

To help families who are geographically isolated or socially, economically, and educationally deprived to obtain adequate diets.

As diets were improved, it was felt that a larger objective could be reached, that of helping families to become motivated to raise their level of living.

Basically, the funds were to be used by Cooperative Extension Services to employ "Nutrition Program Aides" who were to be trained to help low-income families improve the nutritional quality and adequacy of their diets through education.

The program aides were to be hired from the low-income areas and were to be persons who had an understanding of the problems that low-income families face. The program aides were required to have the ability to work with and have empathy for the poor in their indigenous areas. It was understood that, although the ultimate goal of the effort was to improve nutritional adequacy, other aspects of family living must also be considered. Sometimes other needs must be met and problems solved before the client homemaker would be able to concentrate on the food needs of the family.

Homemakers were to be enrolled by the aides and involved in learning experiences designed to increase the homemakers' knowledge of nutrition, as well as their dietary levels. These learning experiences would be based on the homemaker's interest, ability, and assessed dietary needs.

The Cooperative Extension Service implemented it's nutrition education program in a number of counties in each of the 50 states in the United States beginning in January, 1969. Each state received it's share of the money in proportion to the number of low-income families within the state. Nationally, the program was to become known as the "Expanded Food and Nutrition Education Program."

Oklahoma began its' Expanded Food and Nutrition Education Program in January, 1969 with 11 counties piloting the program. At the present, there are ten counties in operation (Atoka, Bryan, Choctaw, Comanche, LeFlore, Muskogee, Oklahoma, Pittsburg, Pottawatomie and Tulsa). The number of counties participating has varied since the beginning of the program. There are nine home economists and 69 nutrition paraprofessionals currently working with the EFNEP program.

During the 1983-84 reporting year, 3,018 families and 4,978 youth were reached in Oklahoma. Approximately 65% of these families were earning less than $7,000 a year. Of these families, 47% of the children were five years and under.

EFNEP also reaches families involved with other Food and Nutrition Programs. There are 1,583 enrolled in Food Stamps, 868 in WIC, and 2,247 in other child nutrition programs (EX: school lunch). Families eligible but not enrolled in one of the above nutrition programs are encouraged to do so by EFNEP aides.

Interfacing with other agencies and nutrition programs is already being done. The EFNEP Home Economists and aides in Oklahoma work closely in receiving referrals from the Department of Human Services and Women, Infants and Children. In the past two years, EFNEP and the Department of Human Services have worked jointly in presenting a workshop "Make Your Food Dollar Count" in the three EFNEP districts.

Utilization of volunteers and referrals have proven cost effective. There are 955 volunteers working statewide with the adult and youth EFNEP programs. The total number of volunteer hours spent working during 83-84 with the adult program was 2,271 and 2,740 hours was spent working with the youth. If minimum wage figures were paid to these volunteers, total dollars accumulated would be $16,786.85. The more referrals received the less time aides will need to spend canvassing their areas for new homemakers. They can concentrate their efforts on teaching time with the homemaker.

Since January, 1969, approximately 54,992 low-income families and 131,637 low-income youth in Oklahoma have gained knowledge and skills needed to select a good diet at low cost.

IMPACT OF EFNEP
IN OKLAHOMA

I. EFNEP has improved life in many areas:

- Improved family diets
- Improved family health
- Better management of food dollar
- Improved sanitation in home
- Conservation of energy in the kitchen and home

- Better school attendance of children
- Better job performance of husband
- Less job absenteeism
- Improved time management
- Pursuit of further education of homemaker including several attaining college degrees
- Participate more freely in community affairs, work and school activities

- Improved health during pregnancy
- Improved health and prenatal care of pregnant teenagers at home
- Better utilization of family planning through encouragement and referrals of paraprofessionals

- Homemakers leaving welfare and entering labor market due to increased self-confidence, better management skills and encouragement of paraprofessionals
- Job opportunities

  Example: A son of a graduated homemaker who was always included in the paraprofessionals demonstrating visits is now a very successful professional chef in Colorado.

  Example: Three homemakers used EFNEP graduation and volunteer certificates for references when applying for jobs. All three are now employed.

II. EFNEP has changed food consumption

- Families are eating more fruits and vegetables, more milk and milk products
- Families are learning how to use more meat alternatives
- Understanding what the serving sizes from each food group are, homemakers have cut down on food cost and have lost unwanted pounds from their figures
- The consumption of pre-prepared foods has decreased while preparation of foods from scratch has increased

III. Innovative Program Delivery Techniques:

- Graduated homemaker visits families between the aides home visits to extend the time of the aide, reinforce aide teaching and give individual help to the homemaker
- Graduated homemaker recruits new families for aide, extending aide time in several ways. Homemaker is already familiar with program and has agreed to participate and the aide doesn't have to take time to locate new families
- Teens are trained to work with younger youth extending the time of the aide and developing leadership skills of teens

IV. Increase Program Efficiency Through

- Utilization of volunteers
- Reduce aides time for door-to-door recruitment
  Example: By other agencies referrals and graduated homemakers recruiting other homemakers)
- Reducing the number of sites with high drop out rates
- Computer capabilities such as record keeping, training programs and travel
- Length of time homemaker spends in the program. (Pilot study in LeFlore and Comanche counties)

V. Success Stories:

A. A female paraplegic was taught self-dependence through EFNEP. The paraprofessional (aide) taught her many techniques of easier food preparation and cooking in the kitchen. (Ex: Salad greens and vegetables were difficult and time consuming for her to prepare everyday. The aide demonstrated how she could cut and chop vegetables once a week and cover in a tight container, then take out as needed.) The aide was also instrumental in referring the client to a disabilities village where she could live and have interaction with other individuals.

B. Gardening was a blessing in disguise for one homemaker. Besides the garden providing needed fruits and vegetables at a low cost, it also provided a family time activity. The homemaker was having trouble at home and school with her three children. Working in the garden gave the children time to release stress, tension and concerns physically as well as verbally. She definitely made a profit-free counseling services and 150 pints of vegetables.

C. A single homemaker had 18 month old twins that were not walking and had poor muscle tone. She did not understand why they would not walk. The aide encouraged her to feed them a variety of foods instead of only one type of food a day. She also taught the homemaker how to read recipes to incorporate a variety of foods in the diet. The aide also kindly explained that the babies needed to be taken out of the play pen in which they laid all day and exercise them by moving their arms and legs. After several months, the twins were developing normally and walking.

D. Welfare had referred this homemaker to the EFNEP program. They were threatening to take her three year old boy and 18 month old girl away because they were undernourished and very inactive. The children were also very shy and withdrawn. The homemaker's husband was working whenever he could, but they were having problems making ends meet. After listening to her side of the story and realizing that the homemaker also had a learning disability, the aide concentrated on the best teaching techniques she knew to reach the homemaker. By using visuals such as flip charts, comparison food charts, filmstrips, and nutrition games the aide was able to reach her. The homemaker has made progress in a year's time understanding the reasons for good nutrition and feeding her children a balanced diet. The girl is walking now and the boy is more active and alert. The homemaker now has a feeling of self-worth and EFNEP implanted that in her.

E. A Spanish-speaking homemaker was very young and had just gotten married and knew very few proper cooking and sanitation techniques. She was originally from Mexico and fried many of her foods. The dingy apartment building was infested with roaches which added to unsanitary conditions. The first step was to take care of the sanitation problem. The homemaker didn't get rid of all the roaches, but started keeping her kitchen cleaner and properly storing her goods. She gradually incorporated more fruits and vegetables into the meals and quit frying so many of her foods. This client changed her cooking habits and unsanitary practices. The aide felt that this was quite an accomplishment for her.

Form A – Plan of Work and Evaluation Plan

OMB NO. 0527-0008 EXPIRES 10/31/85

*TITLE Major Program Title *(Include State Name in Title)* ☑ New Plan ☐ Amendment

CONTROL NO.

EFNEP - Directive SENATE REPORT (98-566)

*TEXT

SITUATION: The Senate Report (98-566) Appropriation Bill 1985 cited the Committees' concern for increased emphasis for nutrition advice for low-income families. The Committee states: "The EFNEP program plays a vital role in providing nutrition advice to low-income families. The Committee believes that more should be done under the program to assure that all eligible individuals are made aware of the various Federal nutrition programs, eligibility requirements, and program benefits. The Committee will expect additional emphasis to be placed in this area in the fiscal year 1985 EFNEP program and will expect a report on what action is taken to implement this directive".

OBJECTIVE:

_______ EFNEP families and other eligible individuals/families to be made
(Numbers) aware of various federal nutrition programs.

PLAN OF ACTION:

(1) Local EFNEP professionals initiate contacts with food stamp offices to learn of new food stamp rules, eligibility requirements and program benefits.
(2) Referral systems between EFNEP and Food Stamp offices and other appropriate offices be maintained or established where needed with mutual referral when possible.
(3) On-the-job training for EFNEP paraprofessional program aides to include information (eligibility and benefits) on other Federal nutrition programs.
(4) Food stamp and child nutrition program personnel participate in EFNEP aide training on a systematic basis.
(5) Information on other Federal nutrition programs to be distributed to all EFNEP families and potentially eligible individual/families by EFNEP aides such as FNS flyer "Facts about the Food Programs.".
(6) Information on how to contact or locate local food stamp and other appropriate offices (address and phone) to be made available to EFNEP families and other potentially eligible families/individuals.
(7) Materials explaining EFNEP to be made available in food stamp/other appropriate offices.

EVALUATION:

Response should include the number and percent of:
Program families receiving information about federal nutrition programs; Paraprofessionals and professionals trained on the particulars of the nutrition program; If not already enrolled, referral to other nutrition programs; Distribution of flyers related to other federal nutrition programs; Food Stamp office media programs: (a) EFNEP poster in Food Stamp Office; (b) Video messages in Food Stamp Office; (c) Flyers in Food Stamp Office; (d) Others.

Results of the above to be reported on a NARS Accomplishment Information Report Form D by Nov. 1, 1985.

*CONTACT • Name and title • Address *(include Zip code)* • Telephone *(include area code & extension)* • Electronic mail ID *(when appropriate)*

State Coordinator

Form ES-300-1 (Jun 83) USDA

Carlene Jordan, R.D.
Extension Home Economist
Food and Nutrition
OSU Extension Service
1440 So. Cherokee
Muskogee, Oklahoma 74403

Sub-Committee on
Domestic Marketing
Field Hearing
March 22, 1985

I am a registered dietitian and home economist employed by OSU Cooperative Extension Service. I have supervised the EFNEP Program in Muskogee County for almost 15 years. I am pleased to have the opportunity to discuss nutrition related programs which are so vitally important to our nation's low income population.

Through my years of experience at the grass roots level, I have worked very closely with low income families. I have visited in their homes, involved their children in nutrition day camps and closely monitored nutrition progress. EFNEP is one of the most extensively evaluated nutrition education programs. Detailed progression records including food intake and changes in food behavior practices are completed each 6 months on every enrolled family. I will be relating eye witness observations of the problems facing low income families and the impact of nutrition related programs. I have also recently completed a thesis research study at OSU on the long term impact of EFNEP. I will discuss some of these findings.

In the early 1960's, our nation was shocked by the reality of hunger and malnutrition among the poverty-stricken. A country that had spent millions on food programs overseas had somehow overlooked the needs of its own citizens. EFNEP was authorized in 1968 to help low income families learn the skills and knowledge needed to improve their diets.

We have made progress in the area of nutrition. Dr. Winterfeldt stated in Congressional testimony in 1978 that we have conquered nutritional deficiency diseases such as scurvy and beriberi. Nutritional deficiencies today are more subtle and are more likely to result in impaired function and lowered health status. In addition, persons with limited knowledge of nutrition are threatened by promoters of misinformation and food faddism. This is a tremendous area of concern to nutrition professionals.

CURRENT SITUATION

Unless you have actually observed poverty first hand, it is extremely hard to comprehend. Very recently I have observed families living without electricity or running water. I have stood in a kitchen with cardboard walls. I have met parents who could not read or write. I have visited families that have no telephones or transportation. I have seen families sleeping on bare mattresses. I have seen children with no shoes or coats and families with no type of medical insurance.

NUTRITION RELATED PROBLEMS

I would like to focus now on the nutrition-related problems of low income families. A large number of children and homemakers in EFNEP families have been medically diagnosed as anemic. There appears to be a higher than normal incidence of disease and illness. As a result, children are frequently absent from school and income earners tend to have a higher work absenteeism. Often the lunch children have at school is the only balanced meal they get for the day. I have visited with school lunch cooks who report children coming by the kitchen at midmorning begging for food because they are hungry. I have also worked with children in day camps that were experiencing sick headaches because they had inadequate food. Research has shown that lack of breakfast can limit the child's ability to concentrate. Teachers in our area report children with frequent midmorning headaches and lack of energy. Many of our homemakers are not aware of the importance of breakfast and its effect on learning.

Nutrition during pregnancy is also a critical problem area. I have met homemakers who were 8 months pregnant and had not been to a doctor because of lack of money. The WIC nutritionist in our county expressed this same concern to me in a discussion of low income family problems. EFNEP aides have the opportunity to work with pregnant homemakers and to also teach pregnant teenagers within the family. The pregnant teenager is at high nutritional risk and the severe lack of prenatal care further complicates the risk. Teenage pregnancy is a national problem and for the family with limited resources it becomes a crisis.

Another startling nutrition related problem is the incidence of severe tooth decay. I have seen children's teeth so decayed that only little black nubs were left at the gum line. This has been caused by homemakers putting a child to bed with a bottle or using a bottle of milk or sweetened beverage throughout the day as a pacifier. It is not uncommon for a child three years old to still be taking a bottle. The dentist with the Indian Health Department also confirms this as a major problem. Only two months ago, an aide visited a home where the child was crying with a toothache. The homemaker gave him a sucker to pacify him. This was the worst thing she could have done and she really didn't know better.

There is an increasing incidence of failure to thrive among infants in low income families. In the last six months, we have had at least 2 referrals to help families experiencing this problem. One was from child welfare, the other was through a juvenile court case involving a teenage mother. In the past we have also worked very closely with the nurse from the health department in educating young mothers with infants that were failing to thrive. We find that the young mother does not know what and how to feed an infant. Furthermore some of the sickness among some low income families is due to food borne illnesses. Diahrrea is prevalent among children and infants and tends to increase in the summer when warm temperatures encourage the growth of bacteria. Homemakers need instruction on how to properly store and handle food.

FUTURE OUTLOOK

The outlook for low income families in our area is not very optimistic. More husbands are out of work or are working less than in the past. The unemployment rate in Muskogee County is 12.5 percent. The high divorce rate in Oklahoma means more single parent families. The high cost of utility bills has also had a detrimental impact on families ability to acquire an adequate food supply. Ninety percent of the families we work with pay on their winter heating bills all year. They often survive the summer with no type of cooling. The average American family spends 12.5 percent of their income on food. The low income EFNEP family spends an average of 33 percent of their income on food. Lack of nutrition knowledge and skills, limited resources and lack of resource management skills makes the situation facing low income families critical.

IMPACT OF EFNEP

The goal of EFNEP is to help low income families acquire the knowledge and skills needed to obtain an adequate diet. The target audience of EFNEP is young families with children. These are the families in which nutritional status is of paramount importance. The age periods in life in which nutritional status is critical include early childhood, adolescence, and during pregnancy and lactation.

EFNEP is an intensive educational program that is capable of addressing the individual needs of families. I have observed significant improvements in food preparation, food shopping, nutrition knowledge, sanitation and other nutrition related practices as a result of participation in EFNEP. For example, one family reduced their food bill by 22 percent through careful planning, use of a grocery list and comparative shopping. A rural family made even greater savings through improved consumer skills and learning to preserve home grown foods. Another homemaker learned how to prepare attractive nutritious meals. The family had been living on luncheon meats, food out of cans, chips and soft drinks. Many homemakers learn how to stretch their food stamps or food money to last until the end of the month. Homemakers and children have learned the importance of eating breakfast. Special youth programs teach children how to prepare their own simple breakfasts. Aides have a high degree of success in improving the diets of pregnant homemakers and teenagers. They report that pregnancy offers a teachable moment. The concern for the unborn baby seems to make change easier.

Numerous research studies have documented that participation in EFNEP does lead to improved dietary status. The paraprofessional nutrition aides indigenous to the community in which they work are effective in changing food habits. Furthermore, a major finding of my thesis research at Oklahoma State University was that adequacy of dietary not only improved significantly during participation in EFNEP but was sustained over time. Improved food habits must be sustained to impact the health status of families. Other studies had confirmed this finding. (Montgomery (1983) in Oklahoma, Brown et al (1980) in Georgia).

Another important finding in this study was the relationship of income to adequacy of diet. Homemakers with the lowest incomes had the poorest diets when they entered the program. However, at completion of the program homemakers with lower incomes had essentially the same dietary adequacy as homemakers with higher incomes. Therefore, EFNEP was found to be effective in helping families overcome the disadvantage of limited resources.

EFNEP is effective because it has a lasting educational impact. It helps people learn how to help themselves and the additional benefits are exceptional. One of the greatest additional benefits is increased confidence of the homemaker. It re-establishes a "will to try" that goes beyond feeding the family better. Homemakers take more interest in the personal appearance and well-being of their children, school attendance improves, some homemakers go back to school or enroll in job skill classes, and family health improves. In Muskogee County, we have had several homemakers graduate from college and several others have entered the work force and are no longer dependent on welfare. One homemaker's son is a professional chef in Colorado because of his involvement in home visits by the aide and her personal encouragement to him to finish high school. These are just a few of the ways EFNEP has improved the quality of life of low income families.

CONCLUSIONS

The food stamp program, donated foods, WIC, and other food assistance programs, including school lunch, have met survival needs of low income families. It is very crucial that these food assistance programs be continued. Without them, families might not only face malnutrition and hunger, but possibily starvation. In my opinion, our return on investment in these programs would be tremendously increased by continuation and/or expansion of nutrition education programs. An intensive educational program such as EFNEP is needed to "change" food habits. It reaches families that could not or would not otherwise be involved.

Based on evaluative research and my personal experience, I firmly believe that EFNEP is one of the most effective educational programs ever initiated to help poverty-stricken families help themselves. It makes a lasting impact on the health and quality of life of the low income. Furthermore, with keen public and media awareness of nutrition and its relationship to fitness and health, there has never been a more teachable moment. I think we must not let this opportunity pass.

In conclusion I would like to relate an individual case study of a family that exemplifies the impact of EFNEP.

Mrs. B lived in an old 2 bedroom farmhouse with her husband, 7 children and an elderly grandfather. The house was about 2½ miles out in the country near the little town of Haskell. (The aide had heard from neighbors that the family really needed help.) The father had very little education and supported the family by doing odd jobs wherever and whenever he could find work. The only transportation they had was an old tractor. There was no running water in the house and they heated the home with a wood stove.

The first home visit of the aide was spent on the porch. In an EFNEP Advisory Committee Meeting later, Mrs. B said, "I was too embarrassed to invite Mrs. Y into my home. But when she kept coming and I realized she really cared and wanted to help me, I let her in."

Mrs. B needed help in all areas of nutrition. The aide helped her learn how to plan more nutritious meals and add variety to the diet, she taught her how to prepare foods to conserve nutrients using what limited equipment she had. The B family raised a garden but Mrs. B had never canned so the aide taught her how.

The family was able to get a used freezer and they were going to sell one hog in order to have the other butchered. The aide said, "No, get an old barrel and I'll teach you how to butcher." The family was very grateful to learn this money saving skill. They finished the butchering at 10:30 that night.

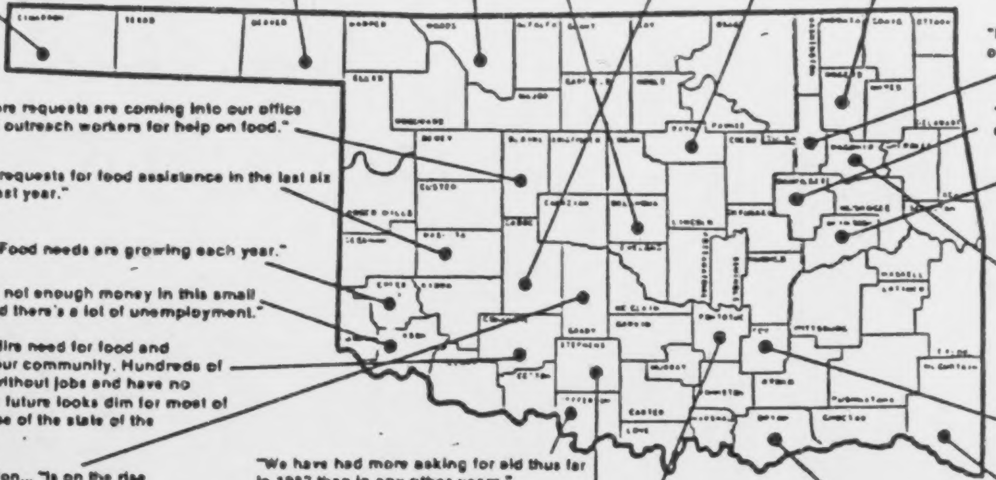
The family so looked forward to the visits of the aide, it became a highlight of their life. On days when it would rain, the husband would drive the tractor a 1/2 mile to the corner to pick up the aide. The road got too muddy for a car to travel. Mr. and Mrs. B's son also looked forward to the visits. One day he hid under the bed to miss the school bus so he could be there when the aide came. From that time on, the aide scheduled her visits after school so he could be involved. She allowed him to help her with a youth group at the community center, "only if he would stay in school and work on his grades."

As the confidence of Mrs. B improved and she began to take an interest in improving the home, she began to invite neighbors to her home for group meetings. She helped the aide with demonstrations and served on the EFNEP Advisory Committee. The aide said because of Mrs. B she was able to reach many new families.

EFNEP helped this family improve their quality of life in many ways. Mrs. B graduated from the program and is very proud of her certificate. She continued to have group meetings and help as a volunteer after she graduated. The husband now has a steady job and most of the kids are grown. Just recently the young man that used to hide under the bed to be able to work with the aide came to visit her. He is employed in Colorado as a chef. He is very successful and loves his job. He thanked the aide for her teaching and encouragement.

(Attachment follows:)

HUNGER AND MALNUTRITION IN OKLAHOMA



"If I don't starve, freeze or die of heat in the next five years, I can draw Social Security."

"Persons are being layed off. It is difficult for them to qualify very quickly for welfare. Nutrition needs are going unmet."

"The school lunch program possibly provides the ONLY hot meal some children receive each day."

"Overall more need than our single church could ever fill."

"I look to seeing bread and soup lines soon."

"An acute and growing need...."

"The need has become so great."

"People are getting squeezed, using up all of their resources and really hurting."

"We see hungry people in our community every day—in our city."

"We see the influx of people requesting food as a result of lay-offs in the local factories."

"We think things are going to get a lot worse before they improve."

"More requests are coming into our office and outreach workers for help on food."

"We (received) more requests for food assistance in the last six months than in the past year."

"Food needs are growing each year."

"There is not enough money in this small town. And there's a lot of unemployment."

"There is a dire need for food and clothing in our community. Hundreds of people are without jobs and have no income. The future looks dim for most of them because of the state of the economy."

Hunger and malnutrition... "is on the rise due to the federal and state reductions, but it has been with us for quite some time."

"We have had more asking for aid thus far in 1982 than in any other years."

"The needs are much greater than we are able to meet."

"We are about out of funds for these kinds of services, and (we) are not sure what we will do after that."

"The mother sat on the steps of the (cheese) distribution center and fed her children before leaving."

"There is a marked increase in the number of families requesting food."

"It is embarrassing, and I do not like to admit I have to do without food."

GENERAL FARM BILL OF 1985

(Domestic Hunger, Food Stamp Program, and Temporary Emergency Food Assistance Program)

TUESDAY, APRIL 16, 1985

House of Representatives,
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition,
Committee on Agriculture,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:15 a.m., in room 1302, Longworth House Office Building, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Present: Representatives Glickman, Staggers, Olin, and Emerson.

Also present: Representative E (Kika) de la Garza, chairman of the committee.

Staff present: Robert T. Lowerre, associate counsel; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Peggy L. Pecore and Glenda L. Temple, clerks; Robert J. Fersh, Deborah A. Dawson, Bernard Brenner, Anita R. Brown, Carol Ann Dubard, and Lynn Gallagher.

OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Panetta. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is now in public hearing for the purpose of reviewing the reauthorization of the Food Stamp Program, the Temporary Emergency Food Assistance Program, and other related programs.

First of all, I want to welcome all of you to the start of these hearings on programs that provide food assistance for America's neediest citizens. These Washington hearings complement 2 days of field hearings that the subcommittee has already held in Boston and Oklahoma City.

This year's hearings are particularly important because of the need to reauthorize the Food Stamp Program and the Temporary Emergency Food Assistance Program, a reauthorization that must take place within the next few months.

Also under consideration today are related feeding programs such as the Commodity Supplemental Food Program, the Nutrition Assistance Program in Puerto Rico, as well as nutrition education or low-income persons.

As I have said over the past 2 years, the overriding issue facing this subcommittee is the significant growth of hunger in this country over the past few years. It is a problem that, very frankly, I am tired of talking about and anxious to do something about.

I am losing my patience with those who continue to insist that the multitude of studies that have been documented with regard to hunger are somehow shallow or anecdotal. Just last week on the national news, another administration spokesman made that assertion. In my view, only those who choose not to see or who wear some kind of ideological blinders can say we have no serious problem of hunger in America today.

Over the past 26 months I have accompanied members of this subcommittee and the ranking minority member in traveling to nine cities throughout the country to look at the problem of hunger firsthand. Everywhere we have gone the story has been the same, but nowhere have I been more moved than 3 weeks ago in Oklahoma City. There I saw large numbers of women and young children waiting in line for a hot meal or an emergency food package at a local soup kitchen. If you look into the eyes of the hungry or talk with those who cope with their needs daily, there can be no doubt that their desperation is real, and we must do something about it. I know that I need no further facts or figures about this problem to know that action is required now. If for no one else, we must act for the sake of our children. The latest poverty statistics show that one-fourth of all children under age 6 in this country live in poverty, an increase of 51 percent from 1979 to 1983. Fifty percent of all such black children and 40 percent of such Hispanic children currently live in poverty. Unfortunately, these figures are not the only bad news with regard to the status of children.

Recently, the Public Health Service reported that the infant mortality rate in this country was stabilizing, after declining steadily from 1965. A closer look at the study reveals a most disturbing trend. While the infant mortality rate in the first month of life continues to decline due to advances in medical technology, the mortality rate for infants in the next 11 months of life appears to have actually increased. For this age group, nutritional and health care interventions play a larger role in preventing death. I wonder how much longer we must wait, and how many more babies must be jeopardized, before we realize that cutbacks in vital nutrition and health programs in the past few years may, indeed, be contributing to the adverse effects on the lives and health of our children. Is this a risk that we as a nation want to take?

There are more statistics available for those who want further justifications for improving food assistance. Yesterday, the Agriculture Committee released a study conducted by our subcommittee on the adequacy of the food stamp benefit levels generally and the thrifty food plan in particular. I would urge everyone with an interest in this program to carefully review this scholarly and balanced paper. While the study itself draws no conclusions and discusses both the strengths and weaknesses of the current basis for benefits, I believe a clear case for increased benefits emerges from it.

The study indicates that, with the exception of providing an adequate tolerance for food loss due to spoilage or waste, the thrifty food plan generally provides a basis for a minimally adequate diet. However, most food stamp families neither receive benefits equal to the full value of the thrifty food plan nor have their benefits calculated based on the full value of that diet.

Food stamp benefits are currently adjusted each October 1 based on food prices through the previous June. What this means is that food stamp benefits continue to lag 3 to 15 months behind the actual thrifty food plan costs. Over the past 7 years this has meant an average benefit loss of almost 5 percent. Even last year, with food price inflation unusually low, the loss in food purchasing power averaged 4 percent.

Current rounding rules in the program cut the average food stamp recipient's rightful benefits by 1 percent. State and local sales taxes on food stamp purchases take away another 6 percent in food purchasing power in some 20 States. Higher than average food prices where the poor generally shop may also contribute to the inadequacy of food stamp benefit levels. These and other factors make a strong case that current food stamp benefit levels need to be adjusted.

In light of these factors and additional evidence that has been gathered by our subcommittee, by groups throughout this country—the conference of mayors, the Governors, the States, and various other committees of the Congress—I intend in the near future to introduce legislation to improve the Food Stamp Program. Similar to H.R. 5151, the Hunger Relief Act, that passed the House last year, this year's bill will increase the adequacy of food stamp benefits, provide greater access to the program, ease burdensome administrative requirements, improve the program's integrity, and enhance work incentives and work opportunities.

I am under no illusion that such a bill would solve the problem of hunger in America, but it would be a solid step toward easing the most acute hunger pangs of our most impoverished citizens.

I also intend to sponsor legislation to extend congressional authorization for the TEFAP Program that provides surplus commodities to the poor. The key issue in this program is obviously the continuation of State and local administrative funding, which I support.

This morning we will hear primarily from the administration, and I would like to welcome their representatives here today. The administration's fiscal year 1986 budget is an improvement over past years in that no direct food stamp benefit cutbacks are proposed. However, the failure to budget for a continuation of funding for the TEFAP Program or to take any constructive steps to address the growing problem of hunger is most unfortunate. Their budget fails even to incorporate the recommendations of the President's Task Force on Food Assistance to increase food assistance spending.

Let me also express my disappointment—and it is always a problem obviously that we have on the Hill in trying to get adequate notice of exactly what proposals are going to be presented—in the failure of the administration to provide several important pieces of information to us in a timely fashion.

The legislative program for fiscal year 1986, which includes many significant proposals was not submitted in the budget package and was not provided until it was too late for the subcommittee members or the hearing witnesses to study it prior to this session.

In addition, two reports important to our deliberations this year have not been provided in accordance with statutorily mandated deadlines. The key portions of the study on the Nutrition Assistance Program in Puerto Rico will not be available until June, well after the April 1, 1985, deadline, and at a time it is unlikely to be of great use in developing needed legislation in the interim.

Also, the final report on the effects of benefit cutbacks enacted in the 97th Congress, mandated in 1982, was due on March 1 of this year, and we still have not seen it. So we would appreciate receiving it as soon as possible.

There are many questions I would like to ask the administration and other witnesses, and so I will not prolong my statement.

As a closing thought, I would like to address an issue that I am certain will be raised in this hearing; that is, the current status of the Federal budget.

My point about the budget is very fundamental. I have repeated it before. Some may say we cannot do anything about hunger this year because we cannot afford to. I say we cannot afford to wait. Leaving moral considerations aside, I am convinced that the long-term health, remedial education, and loss of productivity costs attributed to hunger will dwarf whatever investment we make now.

Hunger is not a problem that should be looked at in a narrow 1-year budget perspective. If it is, we will for many years pay an even greater price for our own shortsightedness.

Hunger is a costly and intolerable national shame, and we have no choice but to act now to deal with this threat within our society.

Mr. Emerson.

OPENING STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. EMERSON. Thank you, Mr. Chairman.

Today is the beginning of the subcommittee hearings on the reauthorization of several programs. Among them are the Food Stamp Program, the Commodity Supplemental Feeding Program, and the Commodity Distribution Program. These are but few of the programs available for needy individuals and families and which are authorized by the Congress.

We will hear from many witnesses, all of whom, I suspect, will support reauthorization and extension of the programs under this subcommittee's jurisdiction—and some will support still further expansion of these programs.

And, yet, consideration of these programs will be done in a fragmented manner, without looking at the myriad of other programs available and without evaluating the full range of the needs of the poor.

I do not quarrel with reauthorization of any of the subcommittee's programs. They are necessary and provide a vital means of food aid, especially the Food Stamp Program. It is, however, my belief that for both participants and administrators the hurdles they must scale are innumerable. It makes little sense to me that a family in need must travel from agency to agency to obtain the basic necessities. Nor does it make sense that one agency—a county welfare department—must apply different rules to the same set of circumstances to administer the AFDC and Food Stamp Programs.

The duplication in administrative structures is immense. Programs for the poor include AFDC, food stamps, supplemental security income, low-income energy assistance, housing assistance, child nutrition programs, Medicaid, and training and employment programs. There are at least four Federal agencies, and more committees of the Congress, involved in just the programs I have mentioned: Agriculture, Health and Human Services, Labor, and HUD. These are matched and sometimes exceeded at the State and local levels. It boggles the mind. I have to believe there is a better way.

I do not have all of the answers; however, I am convinced that there is a severe problem. Over the past 2 years Chairman Panetta and I have traveled across the country, holding field hearings. We have been to welfare offices, health departments, hospitals, soup kitchens, churches—many sites serving poor people. The need is there for the aid and the services, and I truly believe it is a credit to the ingenuity and resourcefulness of those running the programs and those participating in them that the services are delivered.

I have taken one small step trying to sort out this situation. As some of you know, I am a member of the Select Committee on Hunger. Last year I asked that the select committee review all programs available and to assess the needs and the methods used to deliver services and benefits to the poor. While this project was not adopted by the select committee last year, I have been assured that my request will be honored this year. Since both Chairman Panetta and I serve on the select committee, I anticipate this subcommittee will be a part of the select committee's project. I look forward to the initiation of this worthwhile review.

Nevertheless, the job before us today is to begin review of the subcommittee's programs and to receive testimony from those concerned about them. Our primary focus will be on the Food Stamp Program, the largest of the food aid programs. This is the appropriate time—at the point of a 4-year reauthorization of the Food Stamp Program—to receive testimony as to the State of this program. Is it achieving the goal for which it was established? Is it being administered effectively and efficiently? And, are improvements needed?

As most of you know, the Food Stamp Program, as we know it today, was begun as a pilot project in 1961. In 1964 it became a permanent program and was available to States. However, it was not until 1974 that all States participated in the Food Stamp Program. Before that, food aid was a combination of food stamps and food distribution. The Food Stamp Program has seen expansion since that time. In 1974 an average of 12.9 million people participated each month at a cost of $2.8 billion. In 1983, an average of 21.6 million people participated each month at a cost of $12.7 billion.

Basic eligibility requirements are that an individual or family must have a gross income below 130 percent of the poverty level—$1,105 per month for a family of four—and assets below $1,500. These figures differ for elderly and disabled participants. Benefits are based on the net income available. Several deductions are provided: A standard deduction, which is currently $95 per month; an

18-percent deduction from earned income; a combined deduction, currently $134 per month, for dependent care and excess shelter costs. Households in which there is an elderly or disabled person are entitled to unlimited shelter cost deductions and a deduction for medical expenses, above $35 per month, for those persons.

The thrifty food plan, which is the basis of these food stamp benefits, is calculated by the Department of Agriculture. The latest update in the thrifty food plan took place on November 1, 1984, and set the level at $264 per month for a family of four. Benefits, of course, will vary since the elimination of the purchase requirement in 1979. However, calculations are based on the assumption that those participating in the program will spend 30 percent of net income on food. Food stamps benefits, except for the very poor, are not intended to provide all food needs, but must be supplemented by the participants' own income.

This is a very brief explanation of how the program is set up. I expect we will hear testimony today and tomorrow concerning proposed changes to these and the other rules applicable to the Food Stamp Program. This is a program noted for changing, rather than remaining intact—with most of the changes generated by the Congress. I suppose it is inevitable that this year will be no different.

The proposals from the Department of Agriculture include two major changes to the Food Stamp Program, mandatory work requirements and a community work experience program and an optional nutrition assistance block grant, both of which will be carefully considered by the subcommittee.

I will await the Department's testimony to have further discussion of these and other proposals. However, I must say that employment and training programs do play an integral part in the Food Stamp Program and are of great interest to me. I have yet to see the results of any questionnaire sent out by a Member of Congress in which overwhelming support is not given to employment programs for food stamp participants. And, yet, I know it is difficult to ensure success of these programs without the support of those responsible for running the programs. Two very successful programs operate in San Diego County and in Massachusetts, due primarily to the dedication of the administrators.

There will be many other suggested changes in the subcommittee programs offered by witnesses today and tomorrow. I want to consider each of them carefully. I hope at the completion of these 2 days of hearings the subcommittee will have a picture of how these—and some other programs for the poor—are working.

There is no doubt in my mind that the need for food aid programs is present and that there is a wide variety of programs available. In 1984, the cost of USDA food assistance programs totaled over $19.5 billion. In addition, private charities provided assistance to those in need. According to Giving, USA 1984 annual report, in 1983 almost $65 billion was donated, 83 percent by individuals to help their neighbors and their communities. Both figures represent significant increases over earlier years. I believe the commitment to helping is a part of our Government and a part of the people of the United States. As the need has grown, the response has grown.

I look forward to hearing the witnesses. Thank you.

[The attachments follow:]

FOOD STAMP PROGRAM FACTS

	1980	1983	Change
Expenditures	$9.2 billion	$12.8 billion	+40%
Average Monthly Participation	21 million	23 million	+10%
Maximum Benefit (4 persons)	$209/month	$253/month	+21%
Average Benefit (4 persons)	$136/month	$172/month	+26%
Average Benefit	$ .38/per person per meal	$ .47/per person per meal	+24%

- In 1979 the average food stamp allotment per meal was 29 cents. Four years later, that rate has increased over 50 percent to an average of 47 cents per meal. Further, for a family of four with no income, the per meal rate is 70 cents, or $253 per month.
- For the U.S., 50 percent of all households meet the required daily allowance (RDA) of 11 key nutrients. Forty-six (46) percent of food stamp recipients meet the RDA for the 11 nutrients as compared to 34 percent for low-income nonfood stamp recipients.
- Food Stamp Program is well targeted -- 60 percent of recipients are under 18 or over 59 years of age; 60 percent of participants are females.
- About 95 percent of food stamp households are below the poverty line.
- A family of four can have a combined income of as much as $13,260 per year and still be eligible for food stamps.
- With a combined income of as much as $9,900, a family of four (mother, father, a four year-old and seven-year old) could still qualify for eight Federal nutrition programs with a combined annual benefit of over $2,500.

Source: U.S. Department of Agriculture

commentary

St Louis Post-Dispatch April 12 1985

The Hunger Report: Very Thin Gruel

Doctors Cooked The Numbers To Make A Political Point

By S. Anna Kondratas

The Physicians Task Force on Hunger in America, a group of doctors based at the Harvard School of Public Health, recently released a report claiming that hunger in America is a "national health epidemic." According to the report, "some 20 million Americans suffer from hunger." Even leaving aside questions of definition, one cannot help but be struck by the enormousness of the doctors' allegation that nearly one in 10 Americans is hungry.

Ironically, many of these same physicians participated in a 1977 study which found that America's nutrition programs were a great success and that hunger and malnutrition were no longer serious problems among the poor. What happened in the few intervening years to cause such a dramatic turnaround? To the doctors, the answer is clear: Hunger has spread rapidly because federal nutrition programs "have been weakened." Hunger has returned to the U.S. "primarily due to government failure," they said. In other words, it's the Reagan budget cuts again.

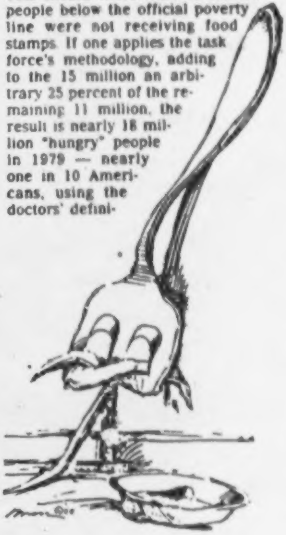
There is hunger and malnutrition in the United States today. But the report certainly does not present any solid data to convince us that 20 million people are barely surviving. For example, contrary to media reports, the physicians did not "find" 20 million hungry (let alone malnourished) people in the course of their survey. Indeed, the methodology for deriving that number is most peculiar and highly unscientific.

First, they took the 1983 poverty count of some 35 million, subtracted the 20 million food stamp recipients, and got 15 million people below the poverty line who were not receiving food stamps. They (quite correctly) state that this is a conservative estimate of the number of poor people not receiving food stamps, because some people receiving food stamps are above the poverty line. Then they decided that, by definition, anyone below the poverty line "does not have sufficient income to purchase a nutritionally adequate diet," an unwarranted assumption based on a misunderstanding of how the poverty thresholds were determined.

Next, the Task Force performed some statistical gymnastics with a few surveys, which even they described as not necessarily reliable, to estimate how many people receiving food stamps might still be experiencing hunger. Again, giving the impression that they were playing it cautious, and that their estimate was "conservative," they took the lowest survey finding (50 percent) and reduced that by half to conclude that some 5 million food stamp recipients also suffer from hunger. There is no scientific rationale for taking half of an unreliable estimate and concluding that it is anything but a totally arbitrary number. But in politics, anything is possible.

Although the doctors are apparently unaware of such information, since 1979 the Census Bureau has been collecting household data on the number of food stamp recipients in poverty. Since there had been no budget cuts in our "successful nutrition programs" from 1977 to 1979 — indeed, there had been substantial increases — one can safely conclude that there was no more hunger in 1979 than the doctors had cheerily documented in 1977, when they declared hunger no longer a serious problem.

What do we find? In 1979, of 26 million persons in poverty, fewer than 11 million — 38 percent of poor households — were receiving food stamps. This means more than 15 million people below the official poverty line were not receiving food stamps. If one applies the task force's methodology, adding to the 15 million an arbitrary 25 percent of the remaining 11 million, the result is nearly 18 million "hungry" people in 1979 — nearly one in 10 Americans, using the doctors' definition. But the doctors found malnutrition in 1977 to be negligible. In fact, they said, what they found gave them "great professional and civic pride."



Miraculously, 15 million poor people in the late 1970s — when inflation was raging — were able to feed themselves without government assistance. And the doctors found no serious malnutrition problems. But in the early 1980s, according to the Task Force, 16 million people with no government assistance are in the throes of a major hunger "epidemic" — despite an almost negligible inflation rate.

The tragedy of reports like "Hunger in America" is that people conclude, from the credentials of the authors, the prestige of the Harvard School of Public Health and the attention given it by the media, that the findings are fact. They're not. They do not establish cause-and-effect relationships between present economic policies and trends and their supposed subject of study — hunger and malnutrition. They merely make assumptions.

According to Census Bureau and Agriculture Department data, in 1979, 17.7 million people received food stamps, some 11 million of them under the poverty line, 6.7 million above. Of the 26 million people living in poverty, 42 percent received food stamps. In 1983, 21.6 million people were receiving food stamps — some 15.5 million below the poverty line and 6.1 million above. Some 44 percent of those officially considered poor received food stamps.

These figures show that not only greater numbers, but a higher percentage of the poor were being reached by the food stamp program in 1983 than in 1979. Moreover, the average per-person monthly benefit between 1979 and 1983 more than kept up with food inflation.

In the late 1970s two out of five poor Americans received food stamps and the doctors saw no hunger crisis. In the early 1980s, two of five poor Americans receive food stamps and that supposedly indicates rampant hunger.

If the "Hunger in America" task force proved anything with its study, it is not that we are in the throes of a "hunger epidemic." Rather, it is that political commitment is not the mother of scientific scholarship.

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Mr. **Panetta**. Thank you, Mr. Emerson.
Mr. Glickman.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. **Glickman**. Thank you, Mr. Chairman.

I would just like to make a couple of comments. First of all, I would compliment you and Mr. Emerson for handling this issue with a great deal of care and concern, and also looking at the specifics of the program and trying to make it operate better.

I would just like to make a couple of statements. One is that no program has done more to eliminate malnutrition in America than the Food Stamp Program. I think as we look at reauthorization of this program, we should recognize this program for what it is worth. It takes a lot of flack sometimes, but for the most part it has prevented many, many people in this country from starving and from going to bed hungry.

I think that one of the things I will want to look into in this program is issues relating to State administration. That is, we put the burden on the States of this country to manage this program, and they have to comply with Federal regulations which often change on a daily, weekly, and monthly basis. For the most part, they have done an excellent job, but they have raised some concerns and some complaints about that administration in terms of how they deal with the Department of Agriculture. I think that ought to be a focus of our debate as we try to get error rates down but still try to manage the program in a fundamentally sound way.

There is no question that some people are doing better in America today, but others aren't. I don't think we should be lulled into believing that all is well in this country and, therefore, the Food Stamp Program can be significantly tightened further.

I think it is the Congressional Budget Office that has indicated that a 2-percent COLA, which is what has been proposed in the budget agreement between the Republican Senate and the President, could throw 600,000 people below the poverty line.

We also know that infant mortality is still a problem in this country. Therefore, there are serious problems affecting the have-nots of America. Just because some are doing well in America doesn't mean that we should be blind to the problems of those who are not.

This program is probably the best program that we have in this country to deal with those who are struggling and below the poverty line, and it would be a shame to deny food benefits to people who are deserving.

I am hopeful that we can design a program, Mr. Chairman, that can, in fact, take care of those folks who are not benefiting by the economic recovery which we are undergoing.

Mr. **Panetta**. Thank you, Mr. Glickman.
Mr. Olin.

OPENING STATEMENT OF HON. JAMES R. OLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. **Olin**. Thank you, Mr. Chairman.

I would like to congratulate you, sir, for having these hearings. There isn't any question at all that there is hunger in America; it is well established. The Food Stamp Program is a substantial program directed at helping with that situation.

I just think that we ought to recognize that the program is an expensive one. It is important that we simplify it as much as we can; that we have consistent standards; that we are objective about considering the difficulties that it has had; and that we look very objectively at suggestions that are made for improving it.

I am looking forward to these hearings, Mr. Chairman, in that regard.

Thank you.

Mr. **Panetta**. Thank you, Mr. Olin.

We have two of our colleagues that will be testifying this morning. I would ask them both to come to the witness table.

First is the Honorable Thomas Kindness, who is a Member of Congress from Ohio, and the other is a colleague from California, Robert Matsui, who is a Member of Congress from California and a member of the Committee on Ways and Means, involved on the AFDC side of the issue relating to poverty.

Thank you both for coming.

Mr. Kindness, you can proceed with your testimony.

STATEMENT OF HON. THOMAS N. KINDNESS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. **Kindness**. Thank you very much, Mr. Chairman and members of the subcommittee. I express my gratitude to you for the opportunity to share some thoughts this morning with regard, particularly, to the Temporary Emergency Food Assistance Program and the experience that we have had in Ohio, which may be helpful to you in terms of considering reauthorization.

If the program is to be reauthorized, I think the experience that we have had in our State may be of some value, but there may be other States that can give you other reflections that may help in terms of what guidelines or what additional guidelines may be required in order to bring that program into a more consistent position and consistent with the Food Stamp Program.

I don't think any of us expect all of the Federal programs we enact to be implemented and administered perfectly. In fact, a few problems are certain to arise in even the most well planned programs.

The gentleman from Kansas, Mr. Glickman, referred to the Food Stamp Program and its administration by the States sometimes being considered burdensome. What I would reflect to you this morning with regard to the Temporary Emergency Food Assistance Program is that perhaps we need to come closer to the Food Stamp Program in terms of putting some guidelines into effect that may be considered burdensome.

That sounds strange. I note, Mr. Chairman, you may have been a little bit surprised at that expression on my part, in that ordinarily I would be arguing in the direction of freeing up the States to do more at their discretion.

Our experience in Ohio, however, has been, particularly in the last year or so, such as to arouse serious concern about the allocation of surplus agricultural commodities and the administration of the TEFAP Program in general.

My office began to receive inquiries and questions about TEFAP as early as the summer of 1983, and, in short, those of us who participated in hearings of the Committee on Government Opertions, Subcommittee on Government Information, Justice, and Agriculture, concerning the operation of the Food Distribution Program felt that, with respect to the problems that came up in that hearing with respect to Ohio and some other States at the time, that they would be straightened out. However, doubt persists in the case of Ohio at least.

In the first part of 1984 the program was administered by the Ohio Department of Education. Later that same year we found that the program had been transferred to the Ohio Department of Agriculture. Just when the program was supposedly functioning well under the Ohio Department of Agriculture, we were informed that it would, effective January 1, 1985, be administered by the Ohio Department of Human Services.

We have problems in that the Department of Human Services has not been willing to honor existing contracts with distribution centers that were set up under the Ohio Department of Agriculture.

The importance of voluntary organizations charitably supported in this network can't be overstated, Mr. Chairman. It seems to me that the food distribution programs that have been operating throughout the country are very much dependent upon these voluntary organizations, and to cause them to be unable to function temporarily or to disrupt their functioning on a short-term or a long-term basis means that the program can't work; it can't work well.

I'm afraid that is exactly what we have experienced in Ohio over the short term, and we now are looking at almost a 3-year period in which the rough spots have been gone over by these voluntary organizations. They are doing a tremendous job from what I can gather, but they need to be helped and not hurt by State governments.

In addition, we have received some reports that distribution centers in Ohio in some cases were receiving excess commodities while others faced a shortfall. Their clientele have been told that the commodities have been cut back, and we find that the Department of Agriculture has, indeed, not cut back on the commodities. There are those who allege that there are political considerations involved in this restructuring of the program.

I am submitting with my testimony a copy of the Ohio Food Bank Association's testimony delivered at a hearing held by the Ohio Department of Human Services on February 13, 1985. I think that document will spell out some other problems that were encountered with Ohio's program in greater detail.

But, in short, those voluntary organizations need some help by way of stabilization of this food distribution program by Federal guidelines, if the program is to be reauthorized, and, in my opinion, it should be reauthorized.

I am also submitting with my testimony, Mr. Chairman, a copy of our Governor's response to my second inquiry about this program.

I want to thank the subcommittee, Mr. Chairman, and its members for the opportunity to share this surface treatment of the subject with you. I would hope that the experience that you have had, the testimony that you will receive with regard to other States, may give you a clearer picture. This is one instance where I would say the reflections indicate we need to have more careful Federal guidelines by which the States must deal with the administration of the Food Distribution Program.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Kindness appears at the conclusion of the hearing.]

Mr. Panetta. Thank you, Mr. Kindness.

Can you stick around a while while we hear Mr. Matsui's statement, and then go back to questions for both of you?

Mr. Kindness. Yes.

Mr. Panetta. Thank you.

Mr. Matsui.

STATEMENT OF HON. ROBERT T. MATSUI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Matsui. Thank you, Mr. Chairman and members of the subcommittee for allowing me to appear before you this morning.

I would like to take this opportunity to recognize and commend the subcommittee for their efforts in attempting to address improvements in the Food Stamp Program, which is the Nation's most basic and comprehensive line of defense against hunger among low-income people.

I know that the subcommittee shares my concerns and my commitment to strengthening the safety net for many persons that are recipients of our much needed public assistance programs. We must constantly strive, in a realistic and responsible manner, to ensure that our limited public assistance dollars go to those who do meet the eligibility requirements. Clearly, this is one of the most important objectives in the administration of AFDC, Medicaid, and food stamps.

Controlling payment error is critical to maintaining the integrity of these programs from the standpoint of both the low-income Americans who depend on them and the public who supports them through the taxes it pays.

Therefore, as your subcommittee considers the reauthorization of the Food Stamp Program, it is vital to implement some reform measure of controlling payment error. I would like to take this opportunity to call your attention to some of the inadequacies I see in our current quality control system and share with you a measure that I am proposing in the Committee on Ways and Means in an effort to improve the administration of the AFDC Program.

Without question, an effective quality control system is an important and effective component of any public assistance program. Despite the many problems and legitimate complaints with the current quality control program, the States have, indeed, made marked progress toward cutting the error rates nearly by half or more.

AFDC, for example, has reduced its error rate from 16.5 percent to 7.3 percent. The Medicaid error rate has been reduced from 6.2 percent to 3.3 percent and the food stamp error rate has dropped from 16 percent to 9.2 percent. Clearly, such a record is solid evidence of the States' commitment to running an efficient program.

It is important to recognize that the administration of our public assistance programs is a shared responsibility between the States and Federal Government; dependent on cooperation to ensure efficient operation. Yet, threatening this cooperative effort are inherent flaws in our current quality control program. Flaws which have threatened the Federal and State financial partnership; have turned their administrative relationship into a bureaucratic nightmare; and have created an adversarial relationship between the Federal Government and the States just when a cooperative effort is needed to further reduce errors. Let me illustrate:

While your subcommittee does not have jurisdiction over the administration of the Medicaid or AFDC Program, it is important for us to recognize that at the operational level these three programs are implemented by the same worker in the field. To the extent that Congress imposes conflicting and constantly changing regulations on workers desperately struggling to keep up with their constantly growing caseload, we ourselves could be considered as the causes of errors.

Imagine the administrative chaos of updating regulations, State legislation, and manuals—while at the same time maintaining quality control—for our public assistance programs when the AFDC and Medicaid programs have seen major policy changes in 3 of the last 4 years and the Food Stamp Program has undergone major changes five times in the last 7 years.

As a result of these legislative changes over the past years, many States have been threatened by sizable fiscal penalties for exceeding federally set tolerance levels. In fact, 40 States in this country have been notified of fiscal sanctions for errors they have committed in the administration of the AFDC, food stamps, and Medicaid programs.

I fear, as I am sure all of you do, that the magnitude of these penalties, almost $1.5 billion over the next 5 years, may jeopardize the steady performance of error reductions that States have turned in over the past decade. Many States may be forced to absorb such cutbacks through reducing administrative costs resulting in even higher rates of error or, worse yet, passing it on to recipients through reduced or restricted benefits.

Without question, States must adhere to some form of quality control standards. To be effective, such a system must be timely, applied fairly, and be cost effective. Our present system simply does not accomplish these goals.

Under our current system, States do not receive information on errors they commit in enough time to make corrections or recoveries.

The current system also appears to overstate the actual error rate. Questionable statistical procedures are used to develop the error rates, and States are penalized for client error over which they have limited or no control. In addition, cases that are counted as errors do not always involve misspent funds. For example, if a client's Social Security number is not in the file, it is counted as an error although all other information is relevant to the client's eligibility and monthly payment is in the family and accurate. While these individuals remain eligible, such technical errors may cause their payment to be counted as, in fact, an error.

Another major flaw in the current system is that it fails to take into account economic conditions, as well as significant geographic and program differences among the States. An unpublished HHS draft report recognized such outside factors as greater population density, higher crime rates, size of the local population, and the size of the welfare agencies' caseloads contribute significantly to higher error rates. Yet, despite these findings, there has been no effort to consider these factors when determining a State's error liability.

In light of these serious flaws, and the fiscal threat of impending sanctions, States and Congress must work together to shape a quality control program that reflects a realistic picture of our income security programs. The purpose of the Quality Control Program is to help States improve the administration of the program and to reduce errors, thus, ensuring the most benefits for the largest number of eligible individuals.

Its purpose is not, and should not be, to force States to cut benefits or develop more restrictive eligibility requirements. Its purpose is not to shift costs from the Federal to the State budgets. Its purpose is certainly not to force States to cut back on administrative staff or otherwise reduce administrative resources, which will undoubtedly result in an increase in errors in the future. Obviously, this is counterproductive and the reverse of what the Quality Control Program is, indeed, to accomplish.

I have introduced a bill that will address many of these inherent problems within the AFDC quality control system. I am pleased to say that my bill has over 60 cosponsors, evidence of a wide range of bipartisan support and concern for reforming the present inequities within the quality control system.

The bill, H.R. 1279, will help ensure that error rate sanctions are fair and do not result in significant reductions of Federal matching rates for recipient benefits or administrative funds. It will require States to identify and attempt to correct errors, but penalties would be based only on those errors above a State's performance requirement.

My bill will also adjust Federal quality control standards to account for economic conditions, population densities, and program designs that differ within States.

Finally, it will require changes in Federal procedures for computing official error rates, speed up agency decisions on good-faith waivers of State sanctions, and make these decisions more equitable.

I have submitted a brief summary of the main provisions of my bill for the record.

The quality control issue presents a unique challenge to the intergovernmental system, but I believe that it is a challenge that can and must be met.

In the coming weeks the Ways and Means Subcommittee on Public Assistance and Unemployment Compensaton will be marking up quality control reform legislation. I sincerely hope that through this effort, and the efforts of this subcommittee, we might provide a framework for a permanent solution to this persistent issue for all of our vital public assistance programs.

Once again, I would like to express my gratitude to you, Mr. Chairman, and members of your subcommittee for allowing me to testify before you today.

This subcommittee is to be recognized and commended for taking the first step toward alleviating the serious problems of hunger in America today by strengthening our Federal nutrition programs. I applaud your efforts for undertaking such a difficult task and I will assist you in any way I can to move this legislation forward.

[The attachment follows:]

SUMMARY OF MAJOR PROVISIONS OF H.R. 1279

1). In order to ensure that states will receive information on errors on a more timely basis, the Federal review, analysis and notice of the official error rate would have to be provided to the states within six months after the state sample is submitted to the federal government.

2). In order to increase coordination and cooperation between the Federal and State level, the Department of HHS would be required to review and approve the States corrective action plan, establish a timetable for the implementation of corrective action activities and monitor the actions taken by each state pursuant to the plan.

3). In determining each State's error rate, in order to ensure that States are sanctioned only for errors they actually make and that have a financial impact, (a) technical errors (e.g. paperwork errors that do no affect the AFDC payment amount) would be excluded and (b) the error rate ascribed to the state would be the lower bound of the error rate range produced by the sampling procedures.

4). The standard tolerance level would be set at 4%, the level established by the Michel amendment in 1979. In order to take into account factors beyond the control of the States that influence AFDC error rates, the standard tolerance level for each state would be adjusted as follows:

--- 0.5% would be added to the standard level if the state has operated an AFDC unemployment parent program during the fiscal year.

--- 0.1% would be added to the standard level, up to a maximum of 0.5%, for each 20 % increment by which the state exceeds the national average in terms of percent of total State AFDC caseload with earnings.

---0.1% would be added to the standard level, up to a maximum of 0.5%, for each 20% increment by which the State exceeds the national average in terms of population density.

These adjustments would produce each State's "adjusted tolerance level". The state could be subject to a financial sanction based on the difference between its ascribed error rate and its adjusted tolerance level. For example, if its ascribed error rate is 7% and its adjusted tolerance level is 5%, the State could be subject to a reduction in federal AFDC matching funds equal to 2% of the amount of federal matching funds received during that defined period.

5). In order to encourage States to make every reasonable effort to recover misspent funds, the State's sanction amount would be reduced by the Federal share of overpayments collected by the State. The current authority for the HHS Secretary to waive sanctions would be retained with modifications. In addition to the current waiver authority, in order to encourage States to implement new procedures aimed at reducing errors, the Secretary would be required to permanently waive a sanction if the state submits a plan for the reduction of errors which includes the expenditure of additional State administrative funds equal to one-half the sanction amount.

6). To further encourage states to reduce errors, and to reward those states that excel in their reduction efforts, a State would receive an incentive payment when its ascribed error rate is below the standard tolerance level of 4%. The amount of the incentive payment would be equal to one-half of what the federal government saves on AFDC payments because the State error rate is less than 4%.

7). Finally, the HHS Secretary would be directed to complete a study within one year of the enactment of this bill to study and suggest measures of AFDC performance which are broader than the current system and more accurately reflect the full range of responsibilities a state has in administering the AFDC program. Furthermore, the Secretary shall conduct a detailed analysis of the nature of client errors and the degree to which client errors can be controlled by States; the standards by which to judge whether a client error could have been controlled; and an assessment of the cost-effectiveness of this type of error reduction.

Mr. **Panetta**. Thank you very much to both of you for taking the time to present this testimony and for the concern that both of you have given to the issues that you have addressed.

Mr. Kindness, let me ask you, in reviewing your testimony, what appears to have been the problem, or at least part of the problem that you address, occurred within the State of Ohio in that they initially had TEFAP operated by the Department of Education; it then was moved to the Department of Agriculture; and just as the Department of Agriculture seemed to be doing a good job, they then moved it to the Department of Human Services.

A lot of that seems to have been decisions at the State level. I guess what I am asking is, are you suggesting that we at the Federal level define what those lines of responsibility ought to be into the State?

Mr. **Kindness**. No, Mr. Chairman. I think the purposes of the program need only to be well established by guidelines. The shifting of the program from one agency to another is, I think, appropriately a decision to be made within the State, but apparently the problem in the State of Ohio is that there is an insufficient political purpose being served by the one department, and then it was shifted to another in order to carry that out more efficiently and effectively.

It is the purpose of getting fair distribution of the food commodities that should be made incumbent upon the States rather than exactly how they carry it out, but I think there should also be in the guidelines as much encouragement as possible of the preservation of the role of the voluntary organizations that are doing such a great job not only in distributing the food commodities through the TEFAP Program, but in the case of Ohio agencies that collect and warehouse and distribute foods to the food pantries and other places, they are getting over 30 percent of their foodstuffs coming from the U.S. Department of Agriculture, but the rest of it they are collecting and making available to those same needy people. You cannot disrupt their functioning and have a good TEFAP Program.

Encouragement of the voluntary organizations is very important to be preserved in the guidelines and not disrupted by substitutions of one bureaucracy for another. Even that could be accomplished by leaving contracts in effect that have terms to run, rather than terminating those contracts.

People have to be able to plan in order to use resources well, and that has been disrupted within a period of one year by two changes.

Mr. **Panetta**. We walk a fine line on TEFAP because it is an emergency feeding program. As a consequence, we tried to avoid the imposition of paperwork and administrative requirements on the States or on the various organizations to try to get the food to the needy people. On the other side of the ledger, when we have conducted hearings out in the field, the argument has been don't impose any more bureaucracy on us because this is one of the few programs that provides flexibility. So we have, in that whole program, kind of walk this fine line.

I recognize some of the concerns you have indicated, and it may be that we can address some of those concerns, but, again, understand that we walk that line on an emergency program of this kind to make sure we don't put so much of the burden into the program that we undermine its ultimate goal.

Mr. KINDNESS. Mr. Chairman, if I may, I certainly understand and agree with the concerns that have to be taken into account there, but as this program moves from a temporary emergency program to a permanent program, if it is going to be reauthorized, or semipermanent—some of these temporary programs go on for a very long time.

Mr. PANETTA. You're right.

Mr. KINDNESS. We may need to be a little bit more careful in the guidelines.

Mr. PANETTA. Yes, you're right.

Mr. Matsui, let me ask you one question. The bill that you have introduced—and, incidentally, I want to commend you for the work that you have done on the legislation. As you know, error rate sanctions and error rates generally are very controversial with States. Anything we can do to try to standardize our approach on that would make a great deal of sense.

I don't know in the AFDC area what the current level of sanctions may be that are being imposed on the States. I think with regard to food stamps we are talking about almost $200 million that are being imposed on the States for their 1985 performance.

I guess I wonder if you have done any evaluation, if we implemented your legislation, what that might do in terms of the impact on those error rate numbers.

Mr. MATSUI. Yes, Mr. Chairman. We only have, unfortunately, statistics from 1981, for the 1981 fiscal year. The total amount sought by the Federal Government by the 40 States that are being held for sanctions is about $70 million, $35 million of which comes from California alone.

At this particular time HHS is considering waivers, but they have not made any decisions yet. We have not had any statistics for 1982 and 1983, and certainly not for 1984 at this time. We hope to have that information.

One of the problems with the fact that we have had such a delay is that many of those administrators that were responsible for the errors back in 1981, of course, no longer are there. As a result of that, administrative changes are difficult to make and holding people responsible is difficult to do at this time. But it is $70 million for that year alone.

Mr. PANETTA. How does your legislation address the existing sanctions? If a State owes the Federal Government, based on a prior standard, how would you assess their penalty?

Mr. MATSUI. We do not deal with the $70 million because at this time it is my understanding that the Federal Government has the right to waive the penalty. As a result of that, we do not address that issue in our legislation itself.

I suppose that is a matter for the Budget Committee and the administration at this time.

Mr. PANETTA. The last area I want to discuss with you is this: Obviously, one of the provisions of your bill involves Federal quality control standards that encompass economic conditions, population densities, and program designs that differ within the States.

Do you develop a formula in the legislation or do you leave that up to the administration?

Mr. MATSUI. We do develop a formula within the legislation itself. Of course, the regulation will have to be prepared by HHS.

The reason we felt that these standards which would adjust the so-called tolerance level are so important is because we had testimony, for example, from Governor Blanchard from Michigan. When they had the high unemployment rates in 1982, they had a massive number of people that went to the welfare offices for AFDC, and it created an overload. Of course, errors will probably increase in that kind of a situation.

We wanted to take into consideration abnormal situations, regional differences, different kinds of programs, and this is embodied within the legislation itself.

Mr. PANETTA. I do not know whether you have had hearings on this, but I would assume the administration's argument would be that is the purpose of the waiver provisions, basically to address specific problems within States by use of the waiver provision. Is that it?

Mr. MATSUI. Yes.

Mr. PANETTA. How do you counter that argument?

Mr. MATSUI. We had a hearing in our subcommittee, Mr. Ford's Public Assistance Subcommittee, last October. The administration was not in favor of my legislation which I had introduced last year. I believe what you have said is correct—that the waiver should take care of it.

However, the problem, of course, by using the waiver, it leaves a great deal of uncertainty. It could be arbitrary. A waiver is given or not given. As a result of that, a State could have sanctions against it or, perhaps if an administration that is not so concerned about errors came in, you could have a situation where they could waive it. We want to eliminate the uncertainty.

This legislation would require a 6-month period that the Federal Government would notify the State. Second, it would require cooperation and a working together atmosphere between the State and HHS in terms of coming up with a plan to reduce the error rates.

We think this is much superior than to allow the situation of the current system, and then try to rely upon a possible waiver at some future time.

Mr. PANETTA. Thank you very much.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Kindness, in the transfer from Agriculture to the Department of Human Services and the unwillingness of the Department of Human Services to honor existing contracts with distribution centers, was there any funding loss involved in that? Was there a delay in delivery?

Mr. KINDNESS. The problem in that respect has apparently been a shortage of commodities in some areas, in some of the distribution centers, while others have had excess amounts, not consistent with the previous pattern of distribution.

This obviously creates some problems in those distribution centers being able to supply the pantries and, of course, the distribution points for the surplus commodities.

Mr. **Emerson**. When the transfer was made from the Department of Agriculture to the Department of Human Services, was Human Services operated by a different system of allocation than Agriculture had?

Mr. **Kindness**. Yes; that pattern has only been observable on a spot basis since January. They did, in fact, sort of allow things to go along for a little while while their new set of regulations or new bureaucratic rules were promulgated, but soon thereafter the pattern then, the distribution then changed. To the best of my knowledge, new contracts have not actually been signed until recently, and that was some of those distribution centers but not all.

Mr. **Emerson**. Do you represent a largely rural area?

Mr. **Kindness**. It is mixed—industrial and fairly heavily populated in the southern part of that district, more agricultural in the northern part of it. The food distribution center that happens to be housed in my district serves about a 19-county area of southwestern Ohio that includes a lot more than our congressional district, which is in large measure rural but includes the city of Dayton.

Mr. **Emerson**. Sometimes problems in distribution seems complicated enough without switching to three separate agencies within 1 year.

Mr. **Kindness**. Well, frankly, what happens is the volunteer leaders in these distribution centers have to retrain the bureaucrats, and they have to learn their lessons all over again.

Mr. **Emerson**. I understand. Thank you.

Mr. Matsui, should quality control sanctions differ depending on who pays for the benefits, whether it is State or Federal money?

Mr. **Matsui**. Mr. Emerson, no, I don't believe so. I would hope that we could come up with a quality control program that would be applicable whether the State or Federal Government administers the program.

Mr. **Emerson**. Last year in H.R. 5151 we tried to establish quality control sanctions by tightening the sanction provisions in such a way that we required not only that the States reduce the rates of error to 5-percent, but also that the equivalent of the Federal money spent in the error above the 5-percent level would be repaid to the Federal Government. Would you comment on that in light of your proposal? Would you support what I have just said?

Mr. **Matsui**. I am not familiar with H.R. 5151.

Mr. **Emerson**. Well, those were our food stamp amendments of 1984 that passed the House and did not get past the Senate. It is not a matter of law, but it did pass the House of Representatives.

Mr. **Matsui**. Could you explain that again?

Mr. **Emerson**. Better still maybe, I should pursue this with you maybe in writing or privately for the record. It is just something we did in H.R. 5151. I would like to see how your bill might relate to what we are trying to do there, in imposing quality control sanctions.

Mr. **Matsui**. Yes. I appreciate that very much because, as far as H.R. 1279 is concerned, we would be happy to make changes in it so that perhaps we can have a bill that would apply to all of the different kinds of programs.

Mr. **Emerson**. Very good. I appreciate that.

I would like to ask unanimous consent that space be permitted in the record for Mr. Matsui to reply after he has had an opportunity to look at what we did and need to do.

Mr. PANETTA. Without objection.

Mr. Matsui, what we did was basically toughened up the sanction issues in H.R. 5151. If you could address that issue vis-a-vis your own formula, I would be interested in that myself.

Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

I would like to ask Mr. Matsui a couple questions regarding the scope of his proposed legislation.

Do I understand that the legislation really deals specifically and only with the subject of the penalties on States and the administration of error rate matters, and it does not deal with the sources of the errors in the sense of inflicting qualification provisions or different paperwork or other things that might—between these three programs that you mentioned, do you get at all into the subject of standardizing procedures between the three programs in your bill?

Mr. MATSUI. No, we do not get into standardized procedures, but we do ask that the Secretary of HHS, within 1 year after adoption of this legislation, come up with a report that would talk about standardization and how we can further improve quality control systems. That would include, of course, standardization of some of the programs.

Mr. OLIN. From your investigation of this subject, do you think there really would be a lot of merit in getting further into that subject and trying to standardize eligibility and standardize paperwork and standardize procedures between these three programs that are all part of the low-income security program?

Mr. MATSUI. Yes; I believe it would be beneficial to both the States and the Federal Government, and certainly the recipients if we could standardize it much more.

Mr. OLIN. Have you found the administration is much interested in that or is that going to be left up to the Congress to initiate the action?

Mr. MATSUI. We have only discussed with the administration our bill as it pertains to AFDC. We had a hearing last October, and at that time they did not take a position in favor of the legislation. We intend to have a hearing a week from Wednesday or Thursday of next week on this issue. Perhaps at that time I would have a better idea of what the administration's position is on this, plus the standardization issue for all three programs.

Mr. OLIN. Fine; thank you very much.

Mr. PANETTA. Thank you very much again, both of you, for taking the time, for testifying, and for the benefit of your experiences. We will consider them in the markup of the legislation. Thank you both.

The next witness is from the administration, John Bode, who is Deputy Assistant Secretary for Food and Consumer Services at the U.S. Department of Agriculture.

Mr. Bode, thank you for coming before the subcommittee. We appreciate your responding to our invitation. We need to have the benefit of your thoughts as we proceed with the reauthorization of the legislation.

You may proceed with your testimony as you wish.

STATEMENT OF JOHN BODE, DEPUTY ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY VIRGIL CONRAD, DEPUTY ADMINISTRATOR, FAMILY NUTRITION, FOOD AND NUTRITION SERVICE, AND JOHN STOKES, DIRECTOR, OFFICE OF ANALYSIS AND EVALUATION, FOOD AND NUTRITION SERVICE

Mr. **Bode**. Thank you, Mr. Chairman.

Mr. **Panetta**. Your full statement, incidentally, will be made part of the record without objection. You can proceed as you wish.

Mr. **Bode**. Thank you, Mr. Chairman. In that case, I would be pleased to summarize my statement to make the best use of the subcommittee's time.

I am accompanied today by Mr. Virgil Conrad. He is Deputy Administrator for Family Nutrition Programs of the Food and Nutrition Services. Also with me is Mr. John Stokes, who is Director of the Office of Analysis and Evaluation at FNS.

Our efforts over the past year through the Food Stamp and Commodity Distribution Programs have provided a substantial amount of assistance for millions of Americans. In fiscal year 1984, participation in the Food Stamp Program averaged 21 million people per month at an annual cost of $11.6 billion, up 40 percent from 1980 spending—19 percent taking inflation into account.

However, as a result of a healthy economy and declining unemployment, food stamp participation has dropped from its all-time high of 22.6 million persons in March 1983 to 19.8 million in September 1984. Every month 1 in 11 Americans receives food stamps, and over the course of a year about 1 in 6 Americans is a food stamp recipient.

During fiscal year 1984 the Federal Government provided $195 million worth of commodities for meal service to needy recipients through soup kitchens and charitable institutions. Participation averaged 1.6 million people per day. In addition, $1.1 billion in commodities for home consumption was made available through food banks. These commodities included cheese, butter, nonfat dry milk, honey, flour, rice, and cornmeal.

Against this backdrop, the administration proposes legislation and a budget request which will reauthorize certain programs, adjust State and Federal roles in the Food Stamp Program, reflect the work ethic in the Food Stamp Program, and strengthen program integrity in certain programs.

Through reauthorization of programs, the administration's legislative proposal will extend the Food Stamp Program through fiscal year 1989. In addition, it will extend the Puerto Rico Nutrition Assistance Plan, the Commodity Supplemental Food Program, and commodity distribution authority for institutions, disaster areas, summer camps, the trust territories, and Indians through fiscal year 1989.

In adjusting State and Federal roles for the Food Stamp Program, we are proposing to give States greater latitude than under the current Food Stamp Program, if they choose to take advantage of it. It is an optional nutrition assistance grant program which would operate in lieu of the Food Stamp Program. A State which chooses this option would receive funding equal to its administrative grant under a second proposal, which I will describe, plus the value of benefits issued in the State during the preceding year. Benefits would be adjusted on the basis of changes in food prices and unemployment levels, as well as any other factors established by the Secretary. The State can use each year's funds either in the year they are provided or during the next year.

A plan would be submitted by the State outlining how the program would work to assure that the nutrition assistance needs of the citizens of that State are addressed by the operation of the grant.

Under the proposal, States will have an opportunity to provide these low-income persons with food assistance benefits in a more effective and more efficient method than the current Food Stamp Program. We strongly urge the adoption of this provision.

We propose to establish a State administrative grant set at $840 million in fiscal year 1986 to be distributed proportionately to States based on their 1984 shares of Federal administrative costs. The administration is making similiar proposals to finance the administrative costs of AFDC and Medicaid, and annual adjustments of this grant are also proposed.

By eliminating complicated funding formulas, program administration, we feel, would be simplified by this proposal. Further, these grants will create stronger incentives for States to improve managerial practices because any savings will directly reduce State costs without affecting Federal grants.

In reflecting the work ethic in the Food Stamp Program, we propose to establish greater emphasis on the positive value of work experience and employment in the Food Stamp Program by mandating that States establish a work program which incorporates the operation of Job Search and a Community Work Experience Program.

Our proposal will allow States to phasein the Community Work Experience Program [CWEP] over a 3-year period. They will place a minimum of 25 percent of the employable caseload in CWEP in the first year, 50 percent in the second year, and 75 percent in the third year.

This change, of course, is compatible with AFDC legislation the administration is submitting, thus offering the prospect of compatible work requirements between the two programs.

To complement these changes, we are proposing a separate grant set at $92 million to State agencies to assist them in establishing work programs. Funding will increase as the percentage of the employable caseload for which States are required to provide assistance increases.

It is our strong conviction that mandatory CWEP will benefit both program participants and communities. Able-bodied food stamp recipients will have the opportunity to perform useful work and, therefore, benefit by making a contribution to their communities and by enhancing their sense of self-worth.

Communities will derive benefit from their work. Individuals on the program will be introduced to the work environment and will be encouraged to find regular employment, of course developing job skills.

The existence of a Community Work Experience Program and Job Search requirement will act as a deterrent to Food Stamp Program participation of those able-bodied individuals who can work but do not choose to do so.

Because CWEP will help persons to move out of the Food Stamp Program and into productive employment and because it will deter from participation those able-bodied individuals who do not want to work, this proposal will save an estimated $16 million in fiscal year 1986, and savings will increase to $58 million in 1990.

In addition, we have proposals to strengthen program integrity. We believe several changes are needed to make the Food Stamp Program stronger and more effective. We propose to establish current regulatory policy on vendor payments in the law. We will include as income benefits provided to third parties on behalf of households by the AFDC Program and by State and local governments, except that medical, energy, housing, and child care assistance as defined by current regulations would not be counted as income.

The Secretary will be authorized to provide, by regulation, an exclusion for certain third-party payments for emergency and special assistance. While congressional intent as reflected in legislative history supports this policy, and it is the policy that has been carried out. There have been court challenges which suggests that the policy should be placed in the statute for clarification.

We also propose to establish a $50 annual fee for retailers and wholesalers authorized to accept food stamps. Fees from currently participating retailers will be due on October 1, 1986, and on each succeeding October 1. The fee will be due from new retailers immediately upon approval of their application and on each subsequent October 1.

It costs the Federal Government over $14 million annually to authorize and supervise more than 230,000 firms. This proposal will restore most of that expense. This nominal user fee will acknowledge the benefit retailers gain from participating in the Food Stamp Program at the same time.

A further proposed amendment will prohibit the authorization of disqualified stores following sales or other transfer unless the appropriate penalty has been paid.

I would like to address in my testimony as well several concerns that the chairman and ranking minority member of the subcommittee highlighted as special concerns of the committee.

First, what is the current status of pilot projects in the computerization of the Food Stamp Program, such as that in Reading, PA?

USDA is presently testing the electronic funds transfer technology for delivering food stamp benefits in Reading, PA. The demonstration project, developed under contract and implemented with the cooperation of the Pennsylvania Welfare Agency, is testing the feasibility of substituting electronic benefit transfer for paper food stamp coupons. Such electronic transfers may aid our ongoing efforts to reduce mail fraud, food stamp theft, forgery or alteration of participant identification or authorization cards, redeeming food stamps for cash, and trafficking in coupons.

In addition, under this procedure food stamp recipients will not have to go to the local welfare office or the bank every month to pick up their benefits.

Under this online system each food stamp household will receive a plastic magnetic-strip card bearing the participant's picture and account number. The household also gets a personal identification number that must be used with the ID card at the grocery store to authorize use of the card.

At this point the system appears to be well accepted by both recipients and retailers. We plan to release this summer an interim report describing the Reading system and documenting the activities undertaken during its design, development, and implementation. The final evaluation report is expected to be available in the summer of 1986.

Second, the committee asked what we think of making credit unions as institutions eligible to redeem food stamps? The administration does not support this concept at this time based on our feeling that sufficient financial institutions are available, and the inclusions of credit unions would add to the number of financial institutions which would need to be monitored.

Third, the committee asked about providing nutrition education to food stamp recipients in view of the administration's request to eliminate EFNEP, the Expanded Food and Nutrition Education Program.

Chief among the nutrition education efforts we tailored for food stamp recipients is the campaign started in 1983 called Make Your Food Dollars Count.

As part of this campaign, we have developed a number of materials and we have provided them to the subcommittee, if members would like to review them.

We have distributed over 4 million sets of pamphlets, almost 1 million in Spanish pamphlets, over 18,000 sets of posters, over 6,000 sets of Spanish posters, over 4,000 project guides, and almost 900 slide and tape cassette presentations to State and local nutrition education agencies and to independent agencies and groups.

In addition, we have distributed over 6,000 public service announcements to radio stations, all of these intended to assist the low-income population in making the best possible use of their food dollars to get the most nutrition possible.

Fourth, the committee asked what the effect would be on the elimination of $50 million in State and local administrative funding now provided under the Temporary Emergency Food Assistance Program which the administration does not propose be reauthorized.

We anticipate that special commodity distribution to households will continue next year, even without the special funding for State and local Temporary Emergency Food Assistance Program administrative costs. The distributions will continue next year under other existing legislative authority.

Prior to providing Federal administrative funding in the spring of 1983, we relied on the resources of State and local governments and help from voluntary organizations in conducting an effective surplus distribution program. We anticipate that this spirit of cooperation and volunteerism will continue.

Congress adopted TEFAP in 1983 as a temporary mechanism to encourage commodity distribution during the economic downturn. With the improvement in the economy, we believe this specific subsidy, the administrative funding, is no longer necessary.

In addition, USDA will, of course, continue to assume most of the costs of this distribution by purchasing, storing, and transporting commodities to central points in each State.

Finally, the committee asked what surplus commodities are available now and in what amounts and what we anticipate will be available over the next year.

Effective April 1985, these commodities and amounts are available on a monthly basis to States for household distribution. I will simply list the following: cheese is 35 million pounds a month; butter, 12 million pounds a month; flour is now available at 10 million pounds a month. Other commodities are also listed in the testimony.

I want to note that these amounts are subject to change. The Department is particularly sensitive in light of some recent analysis that has ~~been do~~ne about the requirement in the statute that the Secretary act to prevent displacement of commodities. We will be reviewing distribution levels as well as other procedures concerning our distribution activities in that regard.

We anticipate that these commodities and quantities will be available through September 1985. We will begin to examine the availability of commodities for fiscal year 1986 in the next few months.

That concludes my statement, Mr. Chairman. I appreciate the opportunity to be here, and, of course, would be pleased to do my best to answer any questions or comments that the subcommittee has.

[The prepared statement of Mr. Bode appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Bode.

Again, I appreciate your coming up and presenting the testimony of the administration on this issue.

Mr. Bode, let me just ask you a general question because it is a question that I always get, and I think it needs to be addressed to those who are responsible for these programs.

As you know, the subcommittee has had about nine hearings around the country, two this year, a number last year. Every city we have gone to—every city—has indicated an increase in the problem of hunger.

We have had a situation where soup kitchens are now serving 200, 300 percent more people than they were in previous months. The number keeps going up. I keep waiting to find a city out there where it is stabilized, but I still have not found one. The numbers keeping growing.

Every report that we have seen—whether it is the mayors' report, which indicates that a majority of cities now are seeing increased food assistance demand; studies that have been released by health groups indicating that we have increased nutrition problems; and, as I pointed out, with regard to infant mortality, the situation in those first few months with regard to children; the President's task force, which also found the problem was serious; the evidence of increasing anemia among children—every statistic shows that we have a growing problem on our hands.

The question is, if that is the case—and I have seen nothing to say that isn't the case—then why aren't we doing more to address this problem? I would be interested if you disagree—but if you agree that that is the case, then why aren't we doing more to respond to this problem?

Mr. BODE. Mr. Chairman, I agree there is a problem. Hunger is present in this country. We are doing a great deal to address the problem.

As you know, the Food Stamp Program is an important program. It is a very large program. I have already cited the statistics on the participation in that program.

In addition to that, this administration started the commodity distribution for households. This subcommittee has acted with legislation to reinforce the authority for that and urged us to expand it, and we did.

In addition, there is an array of other programs: school feeding programs, in particular, spring to mind. During this administration the subsidies for meals served to low-income children, those from families with incomes below 130 percent of the poverty guidelines, have increased faster than the rate of inflation.

A great deal is being done. I believe that there are problems or choices a family must make. The food needs of a family are a reflection of the individual budget of that family. Food assistance programs can address—and I think do so—in an impressive way the general food needs of a family. However, they cannot address every conceivable competing budget demand in the household's budget. In those situations there are going to be restraints on the household's budget that is available for food if money is being used for other activities, and that is going to give rise to some of the difficulty that I think you have described.

Mr. PANETTA. Again, people ask me what is happening? What is being done to try to improve the situation? I have to ask you the same question. What are we going to do to improve the situation? What do we say to the individual or the family now—I do not know whether you have taken the time to visit a soup kitchen, but——

Mr. BODE. I have visited a number of them.

Mr. PANETTA. What you are seeing in soup kitchens these days is no longer just transients, but you are seeing young couples, families, children. What do you say to them?

We worked on a piece of legislation last year, H.R. 5151, and the administration opposed it. What you have submitted this year is essentially holding current levels. Certainly, you have not even included the assets relief that was part of the President's task force recommendations. There is nothing in here that I can point to that provides any additional relief. This is a holding pattern. If you add the block grant and the mandatory proposals of the administration, it is probably moving backward a little bit. At the very least, it is a holding pattern.

The question I have is, how can you rationalize this? If you look at the broader picture, there is an effort now to scale back child nutrition programs particularly the School Lunch Program. So the administration is suggesting that at the same time we are to hold these programs at current levels, we should also reduce child nutrition programs.

Aren't we, in effect, making the problem worse? How do we turn that around? Shouldn't we address issues such as earned income limitations so that we can give people who working a little more room? Shouldn't we adjust assets limitations to make them more realistic with our current economic situation, as the President's task force pointed out? Shouldn't we be trying to deal with the issue of the thrifty food plan and other subjects?

You take credit for the distribution of commodities. Thank God that program is in place, but now you are making a recommendation to do away with the administrative funding that most have testified before our committee is absolutely essential to doing the job.

What kind of message are we going to deliver to the people who are in those food lines?

Mr. BODE. Mr. Chairman, we certainly would not agree that the block grant is a step back. I think the optional block grant proposal that we are submitting stands as an opportunity to make a good, solid step forward in improving the quality of service to low-income people in this country. It is a budget-neutral proposal. If your reference was speaking in budgetary terms, it is designed to be a budget-neutral proposal.

In addition, it provides States an opportunity to design a program structure that can get benefits to those who are in greatest need in the most efficient way. So we feel that it stands as an opportunity to move forward.

The Child Nutrition Program proposals that we have made are proposals to cut back significantly on upper and middle-income subsidies provided; meals and reimbursements provided for meals served to children for families with incomes above 185 percent of the poverty guidelines—that is close to $19,000 a year.

Mr. PANETTA. I am not going to—because that is not really within our jurisdiction. I just want to ask you one simple question on that: Are you denying that cutting the benefits to those families is not going to impact on the poor kids?

Mr. BODE. Referring to the child nutrition proposal?

Mr. PANETTA. Yes.

Mr. BODE. That is not going to adversely affect the provisions——

Mr. PANETTA. When you shut a cafeteria down and those kids don't have any food, as we experienced 3 years ago when we cut those programs? You're telling me that those kids are not going to be impacted?

Mr. BODE. Congressman, we do not think that school cafeterias are going to shut down. It would be very simple to draft an amendment that would preclude that from happening if Members of Congress feel that that school dropout is going to occur. We do not think it is going to occur.

We heard some very dire predictions about what would happen——

Mr. PANETTA. Sure, you have heard dire predictions because we have the statistics from the last time you cut the programs as to what happened. You cannot counter those statistics. The CBO confirms them, and everybody else confirms what happened.

We shut down over 1,000 cafeterias in this country, and it impacted on a million poor children. Let's not deceive anybody—that's what the numbers show.

You know well enough that if we go ahead with this kind of cut we are not going to get away from hurting poor kids. That is a reality. That is a reality, and you are not going to change that.

Now the question is: We either have a national Food Stamp Program or we don't. Now you want to put our national program into State block grants. Once you put a block grant program into effect with the various States, you are going to wind up getting 25 or 30 different States that have their own version of a Food Stamp Program and 25 other States that are operating off our guidelines. That is a national program?

Mr. **Bode**. Mr. Chairman, I do not accept the reality as you characterized it with respect to the child nutrition programs at all. The whole dropout theory is one that assumes that the schools which are located in the most affluent areas, are the ones that would feel pressured to drop out. Even in that situation, even in the schools that have the very smallest number of free category children, low-income children, those are the ones that in theory would feel that pressure. The theory is that those schools would drop out of the program and turn their back on needs of the low-income children. I do not think that is going to happen.

Beyond that, I do not think the dropout argument washes when one examines the numbers that are available. A very small percentage of the total level of assistance provided to schools through the School Lunch Program is provided now in the paid category for the upper- and middle-income schoolchildren. We don't think that in the 1 million——

Mr. **Panetta**. If you have any statistics to counter the statistics that I have seen on the results of the cuts in 1981, I would be very interested in your presenting those. If you have any statistics to counter what CBO has said and the others with regard to the results of those cutbacks, I would be very interested in your presenting those.

Mr. **Bode**. Thank you, Mr. Chairman. I will be very pleased to provide a statement.

[Material supplied follows:]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

May 6, 1985

Honorable Leon E. Panetta
Chairman, Subcommittee on Domestic
  Marketing, Consumer Relations and
  Nutrition
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In the subcommittee hearing held on April 16, 1985, you expressed an interest in students who stopped participating in the National School Lunch Program (NSLP) following passage of the Omnibus Budget Reconciliation Act of 1981 (OBRA). This letter summarizes the Department's analysis of that issue.

Daily program participation now stands at 24 million. It is important to note that this apparent reduction of 1.8 million NSLP participants, from the 1981 level of 25.8 million, is not entirely due to the effects of OBRA. Between the fall of 1980 and the fall of 1984, national school enrollments declined by 4.4 percent. Based on this rate of decline alone, we would have expected participation to drop by more than 1.1 million. Furthermore, based on the average enrollment in private schools at that time, we estimate that an additional 50,000 to 100,000 students left the program as a result of the $1,500 limitation on private school tuitions. The implementation of income verification techniques which studies indicate lowered erroneous free and reduced price participation from roughly 25 to 12 percent, has also affected the mix of free, reduced price and paid participants. This dramatic reduction caused as many as 1.6 million participants who received free or reduced price lunches to change their participation status. These changes were reflected in the following shifts:

1. From free participation to reduced price, paid or non-participant status, and

2. From reduced price participation to paid or non-participant status.

Particularly with respect to the free category, we believe most if not all of the heretofore unexplained drop in participation of 600,000 is due to the shift to non-participant status of those who previously were receiving free and reduced price school lunches even though they were not eligible because their family income was too high.

Based on this analysis, we believe that only a portion of the reduction in participation since 1981 is due to OBRA. We further believe that this slight reduction which can be attributed to OBRA was caused primarily by the exclusion of high tuition, private schools and the deterrence of fraudulent participation by families with incomes over 185 percent of the poverty line.

For the first time in Fiscal Year 1983 more meals were served to the free and reduced price participants than to the paid participants. This trend of improved targeting continued through Fiscal Year 1984.

Please contact me if you require any additional information on this subject.

Sincerely,

John W. Bode

JOHN W. BODE
Deputy Assistant Secretary
for Food and Consumer Services

Mr. **Bode**. The 1 million children number is one in particular that we will take issue with.

Mr. **Panetta**. Well, that is fine. Listen, I would like the numbers. As a matter of fact, you were supposed to give me the report on the impact of the cutbacks, and we still do not have the report. When can we expect that report?

Mr. **Stokes**. Mr. Panetta, we expect to have that in early May. The contractor has had difficulty in delivering the data to us. I can describe that to you in more detail if you would like.

Mr. **Panetta**. I would be interested in what—we were supposed to have this report February 1, or the final report is now about 6 weeks overdue. We were supposed to have it a while ago, and we still have not received a report of the impact of the benefit cutbacks enacted in the 97th Congress.

What is the problem?

Mr. **Stokes**. This was not actually one large study but was a series of small related pieces that were to be submitted on two dates in 1984 and again in March 1985.

As we have said, in the interim report that we submitted last year the analysis of the effects of the legislative changes which resulted from OBRA is extremely complex. There is no single source of information that will separate the effects of OBRA on the Food Stamp Program from the effects of other program changes, and from the changing economic conditions.

We awarded the prime contract to a nationally respected social research firm, and they have attempted to disentangle these factors by looking at existing data, launching a new data collection effort, and using a variety of analytical techniques.

Now what occurred was that about the first of this year the contractor notified us that they had underestimated the amount of work that it would take to collect these data in the Food Stamp Program. They had based the estimate on previous work that they had done in AFDC. We were offered some choices that we were not happy with. That was that we could take a smaller sample with less confidence, poor quality data, and we elected to continue with the predetermined course, believing that that was the best course. Therefore, this data was delayed.

In summary, it has simply taken longer to compile, analyze, and interpret the information than we or the contractor had reason to believe at the outset of this last and final piece.

Mr. **Panetta**. So when can we expect that report?

Mr. **Stokes**. We expect that it will be up here in early May. We now have the delivery from the contractor and we are doing our final work on it at this time.

Mr. **Panetta**. Let me ask, on the TEFAP Program and the $50 million with funding, is it the testimony of the administration that doing away with that funding is not going to change the operation of that program in terms of its ability to deliver needed foods to individuals?

Mr. **Bode**. That's correct, Mr. Chairman. We feel that good quality of commodity distribution activities will continue to occur. We distributed well over 1 billion dollars worth of commodities before we had administrative funding in the temporary program. We feel that we can continue to have a good, operating program, now in particular since there is greater experience with the operations of the temporary food distribution program. State and local level people and administrators know operations better and how to make things work.

Mr. PANETTA. Is that just a gut feeling or do you have any studies to substantiate that that is not going to impact on the distribution of commodities?

Mr. BODE. It is based on our experience with the operations of the program prior to beginning the administrative funding.

Mr. PANETTA. The reason that administrative funding was initiated resulted from recommendation of the volunteer groups that came in and said they simply could not do it. It was the volunteer groups, the ones you are talking about, that came before the subcommittee and said they absolutely had to have some kind of administrative funding to make this program effective.

You are saying we are going to go back to that situation?

Mr. BODE. Mr. Chairman, I acknowledge that there was pressure placed on resources. We acknowledged that during the distribution of commodities prior to having the administrative funding.

I would also point out that last year 82 percent of the administrative funding was used by the States, and the year before that 50 percent. I am quite confident that if the administrative funding availability continues, it will all be spent, and administrators at the State and local level will be more comfortable in their operations of it.

It was a decision made in an effort to reduce nonessential expenditures in food assistance programs. That is the basis for our recommendation.

Mr. PANETTA. Again, I consider TEFAP not to be a fringe benefit to the wealthy in the country or even the middle class. This is a program that was targeted at needy people in deep trouble, and it is part of the Safety Net Program.

As part of the Safety Net Program, it would seem to me that we need to—if, in fact, we are going to maintain safety net programs, we need to maintain funding to keep TEFAP working. That means maintaining the $50 million for the TEFAP Program.

Mr. BODE. Sir, I do want to emphasize our proposal concerns the administrative funding, not the provision of the commodities. We feel very confident the commodities will continue to be provided.

You know, most of the moneys now provided in the administrative funding are held at the State level. Most of those moneys stay at the State level. What we are maintaining is funding for State level operations.

Mr. PANETTA. Mr. Bode, I have a series of questions that I am going to present you and ask that you respond to those questions on each of the phases of the administration's proposal.

[Questions and answers follow:]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

JUL 15 1985

Honorable Leon E. Panetta
Chairman, Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Committee on Agriculture
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed are responses to questions you submitted as follow-up to the April 16 hearing.

If we can be of further assistance, please contact us.

Sincerely,

JOHN W. BODE
Deputy Assistant Secretary
Food and Consumer Services

Enclosure

QUESTIONS FOR JOHN BODE, DEPUTY ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, USDA

Hunger

1. The evidence is overwhelming that the need for food assistance outstrips the level of assistance currently available. However, other than a continuation of most current programs, this year's USDA budget proposed nothing to alleviate the serious hunger problem in this country. Is it the Department's view that nothing beyond current efforts can or should be done about this problem? Why are the recommendations of the President's Task Force on Food Assistance on food stamp assets limitations not included in your legislative package?

2. A recent United States Public Health Service Report indicates that the rate of decline in the national infant mortality slowed down in 1983 and 1984. The mortality rate for infants aged 1 month to 12 months actually increased. For infants in this age group, health and nutrition intervention have a greater chance of affecting survival than for newborns. Isn't it possible that food stamp cutbacks in recent years have contributed to this problem by weakening the nutritional foundation for poor families? Is the Department aware of this problem and investigating what role it can play to alleviate it?

USDA's Failure to Provide Timely Information

1. One of the major purposes of this hearing was to explore the Administration's proposed food assistance legislation for FY 1986. Yet despite repeated requests for it, your legislative package was not provided to the Subcommittee so that we or any witnesses could thoroughly review them prior to our hearing. Why has this happened? To what extent is the Office of Management and Budget responsible?

2. P.L. 97-253 mandated a study of the impacts of benefit cutbacks enacted in the 97th Congress. The interim report, required by February 1, 1984, was provided last May. The final report is now six weeks overdue. This report is important to our considerations this year. Why hasn't it been provided and when can we expect it?

3. P.L. 98-204 requires USDA to submit a report to Congress on the Puerto Rico Nutrition Assistance Program by March 1, 1985. This date had been set in consultation with the Department. Now we are told that the crucial portions of this study will not be available until June. Why is this the case?

Food Stamp Administrative Block Grant

1. The Administration's FY 1986 budget freezes State food stamp administrative funding for FY 1986 and provides it in a block grant, rather than as 50-50 matching funding. Funding for FY 1987 and beyond would continue in a block grant form, updated for inflation. How do you expect States to lower error rates if their administrative resources are frozen in FY 1986? Aren't staff shortages and lack of computer capacity major contributors to errors in program administration? How can we expect substantial improvements in program administration in the future if the Federal government both cuts back in administrative funding and collects fiscal sanctions at the same time?

2. Does the Administration's proposed block grant of administrative funds eliminate the current law provisions for a 75% match for computer development and anti-fraud activities? If so, won't this lessen the incentive for States to conduct these activities?

Computerization

1. How would you characterize the current status of computerization, or automatic data processing, in the Food Stamp Program? Do many States operate adequately automated certification and issuance systems? Please provide for the record a State-by-State description of the extent of computerization in the Food Stamp Program.

2. Does the Department currently have sufficient tools, either through incentives and sanctions, to ensure that States automate sufficiently to ensure proper program management and accountability? Would a 90 percent Federal match for food stamp computer development costs provide a greater incentive for States to automate or improve their computer capacity?

3. Since the AFDC and Medicaid programs offer more generous funding for computers than the Food Stamp Program, does the current law 75 percent computer matching provision put the Department at a disadvantage vis a vis the Department of Human Services when States develop computer systems? Since most States tend to develop integrated computer systems to serve all three programs, isn't it likely that States will be more responsive to HHS specifications than those of USDA?

Optional Block Grant

1. Your proposal to allow States to opt for a block grant in lieu of food stamps would adjust each State's funding for changes in unemployment and inflation. How would this work? Could changes in funding be made only once a year? How would changes in a State's unemployment rate be translated into additional food assistance dollars? Please be specific.

2. Would adjustments in funding levels for unemployment be based on increases in the prior year? If so, how would the block grant respond to increases in unemployment during a fiscal year?

3. Would the optional block grant allow States to make payments in any form they choose? Would cash payments be permitted?

Workfare

1. If there is one theme our Subcommittee has heard consistently around the country concerning work programs, it is the need to leave State and local flexibility in their design. Even San Diego County, often cited as the most successful food stamp workfare project, opposes a workfare mandate. Why is this Administration, which has emphasized getting the Federal government off the backs of State government, proposing to mandate one approach to work requirements nationwide? Where is the evidence to justify such a rigid approach?

2. What are the actual costs and savings involved in workfare, including State administrative costs? Isn't it true that if State and local administrative costs are considered in addition to Federal administrative costs, the total costs exceed the savings achieved?

3. Massachusetts operates what appears to be a highly successful Employment and Training Choices program for welfare recipients. Massachusetts Welfare Commissioner Charles Atkins told us that a workfare mandate would bring their program, if it were extended to the Food Stamp Program, to a screeching halt. Is this true? If so, why should Congress do so?

4. It seems clear that employable food stamp recipients are not monolithic -- they have differing skills, education levels, and family situations. For some, such as those lacking a high school diploma, workfare offers little opportunity through which to gain long-term, unsubsidized employment. Doesn't it make sense to authorize food stamp work programs with many options?

Puerto Rico

1. The Nutrition Assistance Program in Puerto Rico was established by legislation in 1981 that set funding levels through FY 1985 at $825 million. This represented a significant reduction below the food stamp spending level at that time. If Puerto Rico had stayed in the Food Stamp Program, what would the cost have been in FY 1985?

2. The Department's optional nutrition block grant proposals would update a State's grant for inflation and unemployment every year. Yet after nearly four years at the same funding level, Puerto Rico would receive no funding increase at any time in the foreseeable future under the Department's legislative proposals. Why is this so? Why isn't this outright discrimination against Puerto Rico?

Temporary Emergency Food Assistance Program

1. Extensive testimony before our Subcommittee indicates that the $50 million in State and local administrative funding provided by the Federal government has been critical to the TEFAP program's success. Without this funding, some States may opt out of the program altogether and many local volunteer agencies will lack the resources to store and distribute the commodities and deal with the increased Federal paperwork and verification requirements. What is the basis for the Department's proposed elimination of statutory authorization for TEFAP and the provision of State and local administrative funding? What specific study have you made of the impact of the elimination of the administrative funding? Can you assure us that the program will operate just as well, and as many low income persons will be served, if this funding is eliminated?

Nutrition Education

1. The National Association of State Universities and Land Grant Colleges (NASULGC) has suggested that national efforts in nutrition education should be funded through the Food Stamp Program. Currently, how much nutrition education is the Food Stamp Program funding? What is the Department's view of the NASULGC proposal to use 1% of all food stamp administrative funding for nutrition education?

2. How great is the cooperation between the Food Stamp Program and EFNEP? The Administration has suggested that EFNEP receive no funding in 1986. What nutrition education resources would be available to food stamp recipients if this budget cut occurred?

Credit Union Redemption of Food Stamps

1. In your testimony, you cite 18,000 financial institutions under current law which may redeem food stamps. (In actuality there are 14,000 FDIC insured banks and 3,500 FSLIC insured savings and loans.) Do each and every one of these Federally insured financial institutions participate in the redemption of food stamps? How many actually do participate at this date and are monitored by USDA?

2. Recognizing that all financial institutions do not redeem food stamps, would you concede that in some areas due to branch closings, food stamp redemption access could be a problem?

3. What is the Department's view on authorizing Federal credit unions to redeem food stamps?

Hunger

Q. The evidence is overwhelming that the need for food assistance outstrips the level of assistance currently available. However, other than a continuation of most current programs, this year's USDA budget proposed nothing to alleviate the serious hunger problem in this country. It is the Department's view that nothing beyond current efforts can or should be done about this problem? Why are the recommendations of the President's Task Force on Food Assistance on food stamp assets limitations not included in your legislative package?

A. The Administration is very concerned about Americans in need of food. This is why we have always supported a broad array of assistance programs. Through these programs, the needy can get assistance to help provide them a fully adequate diet.

It should be noted that the Federal spending on food assistance is 12 times greater than in 1970 and up almost 40 percent from 1980 to 1984 ($14.2 billion to about $19.7 billion; that's up 19 percent taking inflation into account). With this extraordinary level of commitment, the Administration is determined to focus benefits on the needy and to reduce waste and program abuse. We have made tremendous strides in achieving these goals. By continuing to do so, we help ensure that food assistance will always be available to the needy.

In addition to Government spending on food assistance, we mustn't forget that private volunteer organizations also provide a large amount of support to the needy. The Administration applauds the effort and generosity of these volunteers. Together with their help, we are making needed food assistance available to those who take advantage of it.

The Administration has examined the President's Task Force on Food Assistance and its recommendations for the Food Stamp Program. Two-thirds of these recommendations have either been implemented or are proposed for implementation in the Fiscal Year 1986 budget. The implemented recommendations include:

-- An optional Nutrition Assistance Grant
-- Allotments set at 100 percent of the Thrifty Food Plan
-- Eligibility of the homeless
-- The purchase of prepared meals by SSI recipients
-- Expanded food stamp office hours
-- Staggered coupon issuance

The Administration believes that the Food Stamp Program is properly targeted and does not recommend increasing the asset limits.

Q. A recent United States Public Health Service Report indicates that the rate of decline in the national infant mortality slowed down in 1983 and 1984. The mortality rate for infants aged 1 month to 12 months actually increased. For infants in this age group, health and nutrition intervention have a greater chance of affecting survival than for newborns. Isn't it possible that food stamp cutbacks in recent years have contributed to this problem by weakening the nutritional foundation for poor families? Is the Department aware of this problem and investigating what role it can play to alleviate it?

A. We are aware of the recent provisional reports on infant and postneonatal mortality trends. DHHS advises caution in interpreting these data because they are preliminary and subject to change.

From 1980-1984 the trend for all measures of infant mortality has been downward. The infant mortality rate declined by 20 percent and the postneonatal mortality rate declined by 7 percent.

We do not believe that the changes in the Food Stamp Program in recent years are responsible for changes in infant or postneonatal mortality. The fundamental character of the Food Stamp Program has not changed. Participation rose to a peak in 1983 in response to the economic situation. The real value of food stamp benefits remained unchanged despite inflation and program changes. Futhermore, the WIC Program, which is specifically targeted to low-income, pregnant women and infants at nutritional risk, grew during the period covered by the provisional infant mortality reports. From 1980-1984 the WIC program caseload grew by 60 percent while program funding doubled. WIC has continued to grow, and now serves approximately 23 percent of all infants in the U.S.

There are many factors which contribute to postneonatal mortality. Nutrition factors, such as anemia, nutritional deficiencies or fetal malnutrition, are rarely indicated as a primary cause of death. These comprised less than one percent of infant deaths in 1982. The postneonatal mortality rate is composed more of deaths due to infection, injuries and sudden infant death syndrome. These conditions are more associated with the adequacy and utilization of medical care than with nutrition.

Q. One of the major purposes of this hearing was to explore the Administration's proposed food assistance legislation for FY 1986. Yet, despite repeated requests for it, your legislative package was not provided to the Subcommittee so that we or any witnesses could thoroughly review them prior to our hearing. Why has this happened? To what extent is the Office of Management and Budget responsible?

A. An advance copy of the legislative package was provided to the Committee on Friday, April 12. The major budgetary provisions were included in the President's Fiscal Year 1986 Budget proposal which was shared with you in January.

The Department has worked hard to develop a full legislative package which I believe is well-thought out and comprehensive. There are numerous levels of review and coordination within the Department. The Office of Management and Budget is responsible for assuring conformance with the President's budget and overall program.

Q. P.L. 97-253 mandated a study of the impacts of benefit cutbacks enacted in the 97th Congress. The interim report, required by February 1, 1985, was provided last May. The final report is now six weeks overdue. This report is important to our consideration this year. Why hasn't it been provided and when can we expect it?

A. As stated in the interim report submitted to Congress a year ago, the analysis of the effects of the legislative changes on food stamp benefits is extremely complex. There is no single source of information that will separate the effects of the Food Stamp Program changes from the effects of other program changes or from the effects of changing economic conditions.

We awarded a contract to The Urban Institute, a nationally repsected social research firm, to try to disentangle these factors by looking at existing data, launching a major new data collection effort, and using a variety of analytic techniques. It has simply taken longer to compile, analyze, and interpret this information that we, or The Urban Institute, expected. The final report was distributed to Congress on June 3.

Q. The Administration's FY 1986 budget freezes State food stamp administrative funding for FY 1986 and provides it in a block grant, rather than as 50-50 matching funding. Funding FY 1987 and beyond would continue in a block grant form, updated for inflation. How do you expect States to lower error rates if their administrative resources are frozen in FY 1986? Aren't staff shortages and lack of computer capacity major contributors to errors in program administration? How can we expect substantial improvements in program administration in the future if the Federal Government both cuts back in administrative funding and collects fiscal sanctions at the same time?

A. We believe there are management improvements which may be implemented in every State which can enhance program efficiency and save funds. The capping of these expenditures, through our administrative grant proposal, will serve to provide a strong incentive to States to identify and implement these management efficiencies to reduce costs and improve program operations. This is particularly true since each dollar saved through such improvements will go directly to the States rather than being shared 50/50 with the Federal Government. Monies derived from these management improvements can also be used to enhance staffing and computerization which would result in further management efficiencies and increased cost savings. Improved program management, together with the judicious use of funds saved through these improvements, should serve to assist States in reducing their error rates.

Experience has shown that there is no direct correlation between increased expenditure of administrative funds and reduced error rates. States exhibiting a high administrative cost per case ratio have also often exhibited high quality control error rates. In freezing State administrative funding for FY 1986, we are attempting to cap an area of program expenditure which has produced rapidly escalating costs which have far outstripped growth in benefits.

Q. Does the Administration's proposed block grant of administrative funds eliminate the current law provisions for a 75% match for computer development and anti-fraud activities? If so, won't this lessen the incentive for States to conduct these activities?

A. While the administrative provisions for separate funding of these activities are being deleted, our proposal continues to provide funds for both functions in FY 1986 and future administrative grants. States will, therefore, have funding available for computer development and anti-fraud efforts for FY 1986 equivalent to their 1985 expenditures for these items without having to maintain separate accounting procedures to claim these costs. State incentive to conduct these efforts should not be affected. In fact, computer development and anti-fraud efforts should improve and expand if States choose to allocate additional funds resulting from management improvements to these functions.

Q. How would you characterize the current status of computerization, or automatic data processing, in the Food Stamp Program? Do many States operate adequately automated certification and issuance systems? Please provide for the record a State-by-State description of the extent of computerization in the Food Stamp Program?

A. Computerization of food stamp data by the States is progressing very satisfactorily. Forty-seven of our 53 States are already committed to computerizing the major food stamp functions - certification and issuance. Forty-two States have fully operational computerized certification and issuance systems. Four of the remaining States have one of the two functions automated and a fifth State has both systems under development. I am attaching a chart that shows the February 1985 status of each State's computerization of the food stamp certification and issuance functions.

STATUS OF FOOD STAMP AUTOMATION

STATE	CERTIFICATION	ISSUANCE
Alabama	Automated	Automated
Alaska	Automated	Automated
Arizona	Automated	Automated
Arkansas	Automated	Automated
California	Automated	Automated
Colorado	Automated	Automated
Connecticut	Automated	Automated
Delaware	Automated	Automated
District of Columbia	Automated	Automated
Florida	Automated	Automated
Georgia	Automated	Automated
Guam	Automated	Automated
Hawaii	Planning	Automated
Idaho	Automated	Automated
Illinois	Automated	Automated
Indiana	Development	Automated
Iowa	Automated	Automated
Kansas	Automated	Not Automated
Kentucky	Automated	Automated
Louisiana	Automated	Automated
Maine	Automated	Automated
Maryland	Automated	Automated
Massachusetts	Automated	Automated
Michigan	Automated	Automated
Minnesota	Not Automated	Not Automated
Mississippi	Development	Development
Missouri	Development	Automated
Montana	Not Automated	Not Automated
Nebraska	Not Automated	Not Automated
Nevada	Automated	Automated
New Hampshire	Automated	Automated
New Jersey	Automated	Automated

STATE	CERTIFICATION	ISSUANCE
New Mexico	Automated	Automated
New York	Automated	Automated
North Carolina	Automated	Automated
North Dakota	Automated	Automated
Ohio	Not Automated	Not Automated
Oklahoma	Automated	Automated
Oregon	Automated	Automated
Pennsylvania	Automated	Automated
Rhode Island	Automated	Automated
South Carolina	Automated	Automated
South Dakota	Automated	Automated
Tennessee	Automated	Automated
Texas	Automated	Automated
Utah	Automated	Automated
Vermont	Automated	Automated
Virgin Islands	Not Automated	Not Automated
Virginia	Not Automated	Not Automated
Washington	Automated	Automated
West Virginia	Automated	Automated
Wisconsin	Automated	Automated
Wyoming	Automated	Automated

Q. Does the Department currently have sufficient tools, either through incentives and sanctions, to ensure that States automate sufficiently to ensure proper program management and accountability? Would a 90 percent Federal match for food stamp computer development costs provide a greater incentive for States to automate or improve their computer capacity?

A. We believe that the 75 percent enhanced funding of ADP start-up costs in combination with current error-rate liability and program management enforcement tools are sufficient. The fact that about 90 percent of States have computerized systems (with only 6 States remaining to become committed to computerization) demonstrates this. Also, we believe that it is important that States contribute a sizeable share toward computerization costs so that they will have a sense of investment in the final product and a stake in its success. For these reasons, we do not believe increasing the Federal funding to 90 percent is necessary or appropriate.

Q. Since the AFDC and Medicaid programs offer more generous funding for computers than the Food Stamp Program, does the current law 75 percent computer matching provision put the Department at a disadvantage vis a vis the Department of Human Services when States develop computer systems? Since most States tend to develop integrated computer systems to serve all three programs, isn't it likely that States will be more responsive to HHS specifications than those of USDA?

A. We have not found that the difference in Federal funding of computerization costs between the Department of Health and Human Services' programs and our program has caused problems. In fact, the degree of States' computerization of food stamp functions is very nearly complete - 89 percent of the States, representing over 90 percent of Fiscal Year 1984 participation and 90 percent of benefits issued, have computerized food stamp certification and issuance.

Q. P.L. 98-204 requires USDA to submit a report to Congress on the Puerto Rico Nutrition Assistance Program by March 1, 1985. This date had been set in consultation with the Department. Now we are told that the curcial portions of this study will not be available until June. Why is this the case?

A. The Food and Nutrition Service's (FNS) original strategy to evaluate Puerto Rico's Nutrition Assistance Program include a sole source data collection procurement and a competitive data analysis procurement. To complete the project within the 15 months available it was essential to award the data collection contract by February 1984. This could have been accomplished only through a sole source award since a competitive procurement requires additional pre-award activities and time.

In December 1983, FNS published in the Commerce Business Daily a notice of intent to negotiate a sole source procurement for the necessary food consumption survey. However, subsequent review found that the planned sole source procurement was inconsistent with Federal Procurement Regulations which require competition "to the maximum practicable extent." Therefore, the sole source was cancelled and a competitive procurement was issued in March 1984. The data collection contract award was then made in June 1984, three months later than necessary to maintain a schedule that could produce the final report by March 1985.

All other aspects of the project including the data collection fieldwork and the competitive analysis contract have been exactly on schedule. However, following the competitive process for the data collection contract effectively added three extra months, and it was only possible to produce an interim report by March 1, 1985. All the information required by P.L. 98-204 was made available on June 3, 1985.

Q. Your proposal to allow States to opt for a block grant in lieu of food stamps would adjust each State's funding for changes in unemployment and inflation. How would this work? Could changes in funding be made only once a year? How would changes in a State's unemployment rate be translated into additional food assistance dollars? Please be specific.

A. Any State exercising its option to operate its own nutrition assistance program will be given funding equal to its administrative grant (adjusted from the previous year to relfect the level of inflation in the general economy) plus the value of benefits issued in the previous year to reflect changes in food prices and unemployment rates. These adjustments will help ensure that the nutrition assistance grants are responsive to changing economic conditions and, therefore, to changing levels of need. The intent is to match the funding of the grants to the expected costs of the Food Stamp Program as closely as possible.

There are several different ways to make these adjustments. In general, the adjustments will be based on historical information that relates changes in the cost of food and changes in unemployment to program participation and cost. An example of this approach is the traditional "rule of thumb" that estimates a change in the number of program participants on the basis of a change in the unemployment rate. We are now looking at a number of different alternatives within this general approach to identify those that best meet our intent of matching the grant levels to expected program costs in each State.

The procedural details of these adjustments will be addressed during rulemaking. It is anticipated that one of the issues to be considered is that of within year adjustments of the grant and the factors to be used in making such adjustments. We will also re-examine this issue periodically to ensure that the adjustments accurately reflect changing conditions. As part of this ongoing assessment, additional factors may be built into the adjustment procedure to help ensure that the grants are funded appropriately.

Q. Would adjustments in funding levels for unemployment be based on increases in the prior year? If so, how would the block grant respond to increases in unemployment during a fiscal year?

A. The adjustments to grant levels reflecting changing unemployment rates will be based on the most current information available. In practice, this should help reduce the effect of unanticipated increases--or decreases--in unemployment during a year. In addition, it is important to note that our proposal allows States to carry unused funds into the next year. Thus, surplus funds created by falling unemployment rates in one year might be used to meet the need generated by increasing rates in the next year.

Q. Would the optional block grant allow States to make payments in any form they choose? Would cash payments be permitted?

A. Yes, States that opt to develop their own nutrition assistance programs would have the latitude under our proposal to choose the form in which their assistance would be provided -- coupons similar to food stamps, food vouchers, cash, or even food packages. The form that nutrition assistance takes will govern many other aspects of a State's nutrition assistance program, such as distribution or issuance systems and accountability/compliance monitoring systems. Dictating the form in which nutrition assistance must be provided would so severely restrict States' options that we believe significant numbers of States would choose not to implement their own nutrition assistance programs, thus substantially diluting the benefits to be gained from the proposal.

Q. If there is one theme our Subcommittee has heard consistently around the country concerning work programs, it is the need to leave State and local flexibility in their design. Even San Diego County, often cited as the most successful food stamp workfare project, opposes a workfare mandate. Why is this Administration, which has emphasized getting the Federal Government off the backs of State government, proposing to mandate one approach to work requirements nationwide? Where is the evidence to justify such a rigid approach?

A. Our proposal does not mandate one rigid approach to work requirements. We need a strong, meaningful work incentive program in the Food Stamp Program. Therefore, we are proposing that all food stamp participants who can work (1) actively search for a job while receiving benefits (a Job Search Program) and (2) work at community service jobs in exchange for their food stamps (Community Work Experience Program (CWEP)) if they are unable to find a job through the job search program.

We believe our proposal provides a flexible approach to work programs for food stamp recipients. First, CWEP will be phased in over 3 years to allow smooth startup and properly planned programs by States. This will allow States to adjust the administration of their programs to achieve effective implementation. With less than 100 percent coverage required, States will have the flexibility to target resources in terms of coverage of geographic areas and recipients.

Further States will have the flexibility to design and operate CWEP programs that are compatible with other such programs they may have in operation.

CWEP does not mean a rigid, one alternative approach. States will develop a large number of different kinds of CWEP jobs providing a wide range of public services. Just as in the USDA demonstrations, these jobs will be matched to the clientele.

Under the job search program, States have flexibility in designing an approach to job search. FNS has tested several approaches to the administration of job search requirements, and will provide technical assistance to the States in designing programs that meet the goals of the Job Search Program.

Our CWEP proposal is based on research that shows that work experience results in reduced dependency on the Food Stamp Program by increasing self-support through increased employment and earnings. Findings of an evaluation of seven workfare demonstration sites that operated during the period from July 1979 to November 1980 (sponsored jointly by the U.S. Departments of Labor and Agriculture) indicate that

Workfare participants, particularly women, significantly increased their employment and earnings; both sexes reduced their dependency on the food stamp program and provided valuable public service. Noncompliant recipients were identified and appropriately disqualified. Results from a second set of 14 workfare demonstration sites may show even larger increases in earnings and decreases in dependency on food stamps because the experience with the first set of demonstrations led to improved administration at the second set of projects. Initial findings from an ongoing AFDC Job Search/CWEP demonstration project support the results of the Food Stamp Workfare and Job Search Demonstrations. Welfare dependency of recipients is reduced through increased employment and earnings.

Q. What are the actual costs and savings? Isn't it true that if State and local administrative costs are considered in addition to Federal administrative costs, the total costs exceed the savings achieved?

A. Workfare is cost effective from both a Federal and State perspective. Based on the first set of demonstrations, we estimate that the Administration's proposal will save $16 million in Fiscal Year 1986. This will grow to $33 million and $53 million in Fiscal Year 1987 and Fiscal Year 1988 as higher levels of implementation occur.

The savings are the net of Federal administrative costs and benefit reductions. Federal administrative costs will be $62 million in Fiscal Year 1986. Benefit savings will be $78 million. Federal tax revenues from increases in participant earnings are benefits that are not included in the FNS budget discussion.

From the State perspective, at least 20 million hours of work will be provided to local communities under the Community Work Experience Program (CWEP). The total value of this work exceeds $65 million. (The work is valued at the minimum wage, without taking into account fringe benefits and other usual labor costs.)

These estimates are based on the first set of demonstrations. Administrative improvements derived from experience and subsequent policy changes may further increase the cost effectiveness of workfare.

Important policy changes include the elimination of the mandatory initial job search period which characterized the demonstration and the use of a stronger sanction than that used in the demonstrations. Under current optional workfare, the job search period is at local option and the sanction is the same two month household sanction being proposed for mandatory CWEP.

Q. Massachusetts operates what appears to be a highly successful Employment and Training Choices program for welfare recipients. Massachusetts Welfare Commissioner, Charles Atkins, told us that a workfare mandate would bring their program, if it were extended to the Food Stamp Program, to a screeching halt. Is this true? If so, why should Congress do so?

A. Our proposal would not affect the Massachusetts Employment and Training Choice program for AFDC recipients, many of whom receive food stamps. Food stamp work requirements do not affect food stamp recipients because AFDC work requirements take precedence. The effect of the Administration's proposal would be to increase, not decrease, employment-related activities for welfare recipients across both programs. Our job search and Community Work Experience Program (CWEP) proposals are, of course, very different from the Massachusetts Employment and Training Choices model. We do not believe that, in order to find jobs, most non-AFDC food stamp recipients need the array of intensive service being provided to AFDC recipients by the Choices Program. The proposed job search for applicants and recipients and community work experience for recipients and community work experience for recipients appear to be very effective when compared to more intensive employment and training services such as those being offered under Choices. Moreover, because these approaches are relatively inexpensive more people can be served, resulting in equitable application of work requirements and effective program administration. Our proposals are the right ones for the Food Stamp Program.

Q. It seems clear that employable food stamp recipients are not monolithic--they have differing skills, education levels, and family situations. For some, such as those lacking a high school diploma, workfare offers little opportunity through which to gain long-term, unsubsidized employment. Doesn't it make sense to authorize food stamp work programs with many options?

A. We believe that there is flexibility within our proposed Community Work Experience Program (CWEP) and within the companion job search program to meet the diverse needs of employable food stamp recipients. Evidence from recent FNS and AFDC job search and CWEP demonstrations shows clearly that this work program approach has positive effects on employment and earnings, and helps to reduce welfare dependency among recipients with a range of skills. Under workfare recipients have also provided valuable public services in a variety of jobs. Twenty-three States have undertaken AFDC/CWEP projects and fifteen communities have undertaken food stamp workfare projects because they see them as useful for employable recipients. Most States operate a job search program for food stamp recipients.

Community work experience meets the needs of unemployed recipients in several ways:

1. All recipients increase their access to any paying jobs that become available at jobsites or other jobs that jobsite supervisors know about;
2. Recipients with work histories maintain work habits and work histories; and
3. Recipients without work histories learn work habits such as punctuality and working under supervision and build a work history that is useful in gaining access to avaiable jobs.

Across projects, program staff make efforts to choose jobsites that match the interests and skills of recipients, and jobsites have been specially developed to meet the needs of individuals with unique skills; e.g., carpentry and electrical work. In general, sites strive to create jobs that offer employability development within the constraint that CWEP participants generally work part-time for only a few months.

The proposed implementation goals for CWEP will allow another source of flexibility: there is room for some recipients to undertake training programs that preclude CWEP participation and for States to meet their implementation goals because the CWEP implementation goal never exceeds 75 percent. Referral of recipients to other work programs is compatible with current policy. Under contracts to operate job search, States are encouraged to assess the employability needs of Food Stamp Program work registrants. If that assessment indicates that employability development beyond job search skills is needed, States can refer registrants to appropriate social service agencies.

Q. The Nutrition Assistance Program in Puerto Rico was established by legislation in 1981 that set funding levels through Fiscal Year 1985 at $825 million. This represented a significant reduction below the food stamp spending level at that time. If Puerto Rico had stayed in the Food Stamp Program, what would the cost have been in Fiscal Year 1985?

A. If Puerto Rico participants had received periodic cost-of-living adjustments, as did participants in the Food Stamp Program, we estimate that the cost of providing food stamp benefits in Fiscal Year 1986 would have been $1.1 billion at the June 1982 participation level of 1.8 million persons per month. It is unlikely, however, that participation would have been that high, and consequently the cost of the program would have been lower. Puerto Rico changed eligibility requirements as part of the Nutrition Assistance Program (NAP) design with the intent of reducing the caseload by excluding households with relatively high income and low benefits. Similar changes to the Food Stamp Program were enacted by Congress to better target program benefits. We estimate that the cost of providing benefits to the current level of NAP participants (1.5 million per month) would be $935 million. This figure is very speculative, however, in that it is derived by applying hypothetical adjustments to the pre-1982 Puerto Rico Thrifty Food Plan index based on changes to the U.S. Food Stamp Program subsequent to 1982.

Q. The Department's optional nutrition block grant proposals would update a State's grant for inflation and unemployment every year. Yet after nearly four years at the same funding level, Puerto Rico would receive no funding increase at any time in the foreseeable future under the Department's legislative proposals. Why is this so? Why isn't this outright discrimination against Puerto Rico.

A. The Puerto Rico grant was enacted to restrain the growth of program cost and to provide the flexibility necessary to design a Nutrition Assistance Program (NAP) tailored to the unique needs of the Commonwealth. It was created in response to growing concern over the size of the Food Stamp Program in Puerto Rico. In Fiscal Year 1981, approximately 56 perecent of the Island's population participated in the program. Setting the USDA grant at a fixed level is consistent with the treatment of Puerto Rico in other aid programs.

Puerto Rico has a unique relationship to the Federal Government, and its Commonwealth status differs from State status in several respects. Puerto Rico is exempt from Federal income taxes and has limited participation in several major Federal assistance programs. We do not feel that treating Puerto Rico differently from a State constitutes discrimination.

Q. How great is the cooperation between the Food Stamp Program and EFNEP? The Administration has suggested that EFNEP receive no funding in 1986. What nutrition education resources would be available to food stamp recipients if this budget cut occurred?

A. The Food Stamp Program and the Expanded Food and Nutrition Education Program (EFNEP) are both intended to help low-income people obtain better nutrition. There has been cooperation between program staff to work toward this goal. For example, EFNEP staff have participated in Make Your Food Dollars Count workshops and EFNEP aides are currently distributing these program materials in a number of sites. In the past, we have worked with the Extension Service to look at ways to improve EFNEP's effectiveness. Local food stamp and EFNEP agencies also frequently refer participants to each other for additional assistance.

Other nutrition education assistance will continue to be available to food stamp recipients if EFNEP does not receive funding in FY 1986. It is important to remember that EFNEP cannot now serve more than a small fraction of the food stamp population. In Fiscal Year 1984, EFNEP paraprofessionals provided nutrition education services to some 690,000 people, not all of them food stamp recipients. During that same period, an average of 21.6 million people were participating in the Food Stamp Program each month. Also, food stamps are available everywhere but EFNEP operates in only 868 sites across the country. Thus, even at current EFNEP funding levels of about $60 million annually, most food stamp recipients cannot receive nutrition education through EFNEP. If EFNEP is not funded next year, we expect that Make Your Food Dollars Count will continue to be a key source of nutrition education for food stamp recipients. In addition, we will support State and local agency efforts to broaden available nutritional help through their own programs. The Extension Service, which does operate in every county, often has information available on nutrition, meal planning and food preparation. Finally, with greater awareness of nutritional issues during the past few years, more supermarkets are developing nutritional materials for their interested customers.

Q. In your testimony, you cite 18,000 financial institutions under current law which may redeem food stamps. (In actuality there are 14,000 FDIC insured banks and 3,500 FSLIC insured savings and loans.) Do each and every one of these Federally insured financial institutions participate in the redemption of food stamps? How many actually do participate at this date and are monitored by USDA?

A. Our most recent data obtained from FDIC and FSLIC indicate that 14,785 banks and 3,164 savings and loan and bank savings institutions were eligible to redeem food coupons as of December 1984 and March 31, 1984 respectively. Not all of these institutions participate in the redemption of food stamps. As of April 17, 1985, 8,122 institutions were reported as actively participating in the redemption process. This report is incomplete, however, with seven States yet to report for this period. The final figure should approximate 9-10,000 participating financial institutions. The program's bank monitoring system monitors bank deposits of redemptions to the Federal Reserve. Reports are provided to our Regional Offices and any difficulties are resolved by those offices. Actual bank and savings and loan financial and managerial operations are monitored by the Federal Reserve Bank.

Q. Recognizing that all financial institutions do not redeem food stamps, would you concede that in some areas due to branch closings, food stamp redemption access could be a problem?

A. We can conceive of situations in which a cluster of bank closings in one particular section of an urban area, or closings in sparsely populated areas could cause problems for retailers attempting to redeem food coupons. These difficulties would, however, be limited to transportation problems. Retailers may mail food stamp redemptions to a redeeming bank if they choose. However, this practice is excessively risky for the retailer who may suffer loss of all redeemed coupons through theft or other forms of mail loss. The overwhelming majority of retailers faced with a bank closing in their immediate area would transport their coupons to the next nearest FDIC bank or FSLIC savings and loan institution in order to redeem their food stamps. We are not aware of any FDIC or FSLIC insured institution ever refusing to redeem food coupons for retailers.

Q. What is the Department's view on authorizing Federal credit unions to redeem food stamps?

A. The Department is opposed to authorizing Federal credit unions to redeem food coupons. We believe the availability of 18,000 FDIC and FSLIC insured banks and savings and loan institutions is more than sufficient to ensure adequate redemption outlets for participating retailers. We see no compelling reason to authorize an additional 15,300 federally insured credit unions for this purpose. Additionally, credit unions are rather loosely organized, internally, as opposed to banks and savings and loans institutions which must meet more stringent chartering requirements. This informal internal organization could lend itself to abuse in the food stamp redemption process. Credit unions are closed financial institutions, limiting their services to the union membership. This factor could also result in increased potential for abuses. Finally, inclusion of additional redemption points would increase Departmental monitoring responsibilities, though to what degree we cannot say owing to the uncertainly concerning exactly how many credit unions would choose to redeem food stamps.

Q. The National Association of State Universities and Land Grant Colleges (NASULGC) has suggested that national efforts in nutrition education should be funded through the Food Stamp Program. Currently, how much nutrition education is the Food Stamp Program funding? What is the Department's view of the NASULGC proposal to use 1 percent of all food stamp administrative funding for nutrition education?

A. The Department does not support undertaking new expenditures for nutrition education for food stamp recipients at the levels proposed by the National Association of State Universities and Land Grant Colleges. We believe that our special project "Make Your Food Dollars Count" plus the general availability of nutrition information through the media, supermarkets, and the Extension Service provide a level of nutrition awareness that greatly enhances the purchasing power of food stamp recipients. Within this context, spending an additional $100 million would not be a good use of scarce Federal resources. (The NASULGC proposal is apparently based on 1 percent of benefits rather than 1 percent of administrative dollars.)

Let me describe further what we have been doing to help food stamp recipients make the best use of their benefits. For the "Make Your Food Dollars Count" project, the Department has developed and printed materials to help low-income households plan and prepare nutritious meals at lower costs. We have also developed a slide presentation and workshop planning booklet to help State and local agencies and other groups use the available materials. We have written articles for use in magazines and newspapers and produced radio messages to convey the information to more people. Additionally, we have sponsored regional conferences to promote implementation of nutrition education activities and better utilization of other nutrition resources at the local level.

We have spent over half a million dollars of Food Stamp Program funds on printing and production costs for this project. However, this figure understates the total resources invested to date. It does not include any estimate of staff time at the Federal, State or local level for developing the materials or planning and implementing activities. It also does not include travel costs or any costs for other nutrition education efforts implemented by individual States. (States are not required to separately report costs for nutrition education.) If we were to include estimates of all these related costs, the figure would be substantially higher.

Mr. **Panetta**. Mr. Emerson.

Mr. **Emerson**. Thank you, Mr. Chairman.

Mr. Bode, as I have said, I support the concept of employment and training programs, but I believe that without the full cooperation of State and local administrators we cannot expect too much success.

How do you think the States will react to the Department's proposal for mandatory employment and training programs?

Mr. **Bode**. Mr. Emerson, I share your concern. Certainly, State and local administrators must be committed. If they are committed to make something not work, they will be successful at that.

I must admit, also, that I do not expect State administrators to be supportive of our proposal to require a community work experience program. It is an additional responsibility that would be vested in those administrators, and they would prefer not to have that responsibility and that burden.

I think that we should look, though, at the point that I think you were alluding to earlier. The Food Stamp Program operates by providing 100 percent of the benefits as Federal money. In my view, that is why we have a very small, modest list of workfare sites, the community work experience and optional community work experience in the Food Stamp Program.

Some 23 States, as I recall, have implemented community work experience programs in AFDC, where about half the money is State money. The Food Stamp Program is by nature a different program. By nature the Food Stamp Program is a lower priority than other programs just because it does not have State money in it. That is why we feel it is appropriate for the Federal Government to specify these program responsibilities in the way that we are.

I should say, too, that I believe there is a pretty good receptivity to the concept of community work experience, not only across the country but also among many of the administrators, though they would prefer not to be told they have to do anything more.

Mr. **Emerson**. That has also been our experience when this subcommittee has looked at workfare programs. They do fly well in the community.

How does the Job Training and Placement Act affect the Food Stamp Program? Can you supply for us any data on how many able-bodied individuals are placed through the Job Training and Placement Act?

Mr. **Bode**. Sir, I am sorry, we do not have the numbers on that. I know we have had some frustration because the Job Training and Placement Act does not have extensive reporting in the Department of Labor. So the availability of data is limited.

One of the proposals in our legislative submission would be to count as income benefits received under the Job Training Partnership Act, because it is the only type of income received of that sort that is not counted in the Food Stamp Program.

Mr. **Emerson**. Would you supply for the record such information as you do have?

Mr. **Bode**. Yes, sir.

[Material supplied follows:]

The information on the number of able-bodied individuals placed through the Job Training Partnership Act (JTPA) is based largely on data from a study of JTPA implementation during the year of transition (1984) from the Comprehensive Employment and Training Act (CETA) to JTPA. This study was conducted by Westat Inc.

There was approximately 585,800 individuals enrolled in JTPA Title IIA programs for disadvantaged adults and youth. Of these, during the transition year 350,300 terminated the program. Of these 64 percent (69 percent for adults, 57 percent for youth) or nearly 225,000 entered employment. The balance, 235,500, continued into the program the next year. Of those who entered employment, the average starting hourly wage was $4.53 ($4.71 for adults, $4.06 for youth).

Finally of those participating in JTPA Title IIA programs we estimate that 27.6 percent received food stamps (28.9 percent of adults, 25.4 percent of youth).

Mr. EMERSON. The Optional Nutrition Assistance Program the Department proposes is adjusted to take into account food prices, the effects of unemployment, and other factors the Secretary determines appropriate. What are these other factors? Do you think that funding under this proposal will keep current with the food needs within States?

Mr. BODE. Sir, we specified other factors in that general sort of way in an effort to maintain flexibility. We look forward to a rulemaking in which we will receive, I think, many comments on how this formula to reflect increasing program costs should be structured.

The other factors would allow for that kind of flexibility so that, if something good that we did not anticipate comes in and makes sense during the comment period, there would clearly be authority for the Secretary to respond to that. The nature of population shifts is an example, but it is generally some flexibility we are trying to build in.

Mr. EMERSON. I appreciate your answer there. I am sometimes concerned that Congress ought to pass more careful laws to begin with and leave less to the rulemaking authority of the agencies and departments. That is why I inquired about what other factors you may anticipate, but you have given me a good answer.

I have spoken to several food stamp administrators, and they tell me that they want to run efficient programs. They tell me about the difficulty they have with inflexible rules of the Food Stamp Program. Do you think that this Optional Nutrition Assistance Program is the answer for them?

Is this going to really give them the flexibility that they need?

Mr. BODE. There is no question, there is tremendous flexibility allowed to administrators and policy decisionmakers at the State level through the optional block grant proposal.

We feel that is the answer and feel confident that, given that level of discretion and the responsibility that accompanies the grant, those administrators will be able to improve on their particular program operations.

I should also say that within the regular Food Stamp Program we are trying to be more responsive to some of the inconsistencies between programs. We have issued, in cooperation with the Department of Health and Human Services, a joint notice of intent in a rulemaking, so that we can take a look at our rules in the Food Stamp Program alongside those in the AFDC Program to try to achieve better consistency between them.

Mr. EMERSON. With or without the optional program, I would urge you to be flexible when States have innovative ideas, and I gather by the answer you have just given me that you feel that you do have that flexibility.

Mr. **Bode**. Yes, sir.

Mr. **Emerson**. Can you bring us up to date on the extent to which States use computers for the certification and issuance of food stamps benefits? I know there are only five States that do not have some form of computerization, but do you have up-to-date details on that?

Mr. **Bode**. We would be pleased to provide that. Mr. Conrad has the information about that.

Mr. **Conrad**. Mr. Emerson, we are very much concerned in this regard. What I will outline for you is a plan of action, and I will supply for the record the specifics on the States.

[Material supplied follows:]

Five States are not automated at all: Minnesota, Nebraska, Ohio, Virgin Islands, and Virginia.

One State (Montana) does not have certification/issuance automated but has other components automated.

One State (Mississippi) is in the developmental stage for certification/issuance.

Two States (Indiana and Missouri) are in the developmental stage for certification but have issuance fully automated.

One State (Hawaii) is in the planning stage for certification but has issuance fully automated.

One State (Kansas) has certification fully automated but not issuance.

Mr. **Conrad**. We have recently done a survey of all the States' computer systems in the Nation to determine how they interact with their aid to families with dependent children. That document will be made available to the State welfare commissioners in a meeting in June when our Secretary will appear, along with Secretary Heckler, at a meeting to discuss the use of computers in reducing the certification overpayment errors in this Nation. We will be glad to supply our detailed analysis of that to the subcommittee.

Mr. **Emerson**. We would appreciate it if you would.

Mr. Chairman, I ask unanimous consent that it be made a part of the record.

Mr. **Panetta**. Without objection.

[Material supplied follows:]

Our February 1985 Food Stamp Automation Task Force found that a majority of our State agencies have integrated their food stamp and AFDC automated systems. By "integrated", we mean that the systems use the same data bases and if a data element is changed by one user, it is changed for all users. Integrated food stamp/AFDC systems are in 27 states. An additional 7 states have separate data bases for the Food Stamp Program and AFDC but have an automatic link with AFDC's system. The attached chart shows the State-by-State breakdown on food stamp/AFDC computer integration.

STATUS OF FOOD STAMP/AFDC COMPUTER INTEGRATION

State	Integration
Alabama	Not Linked
Alaska	Integrated
Arizona	Integrated
Arkansas	Linked
California	Integrated
Colorado	Not Linked
Connecticut	Integrated
Delaware	Integrated
D.C.	Integrated
Florida	Not Linked
Georgia	Integrated
Guam	Not Linked
Hawaii	Integrated
Idaho	Linked
Illinois	Integrated
Indiana	Not Linked
Iowa	Integrated
Kansas	Not Linked
Kentucky	Linked
Louisiana	Integrated
Maine	Integrated
Maryland	Integrated
Massachusetts	Integrated
Michigan	Integrated
Minnesota	Not Automated
Mississippi	Not Linked
Missouri	Not Linked
Montana	Integrated
Nebraska	Not Automated
Nevada	Not Linked
New Hampshire	Integrated
New Jersey	Integrated
New Mexico	Linked
New York	Integrated
North Carolina	Not Linked
North Dakota	Integrated
Ohio	Not Automated
Oklahoma	Integrated
Oregon	Linked
Pennsylvania	Not Linked
Rhode Island	Linked
South Carolina	Not Linked
South Dakota	Linked
Tennessee	Not Linked
Texas	Integrated
Utah	Integrated
Vermont	Integrated
Virgin Islands	Not Automated
Virginia	Not Automated
Washington	Integrated
West Virginia	Integrated
Wisconsin	Integrated
Wyoming	Not Linked

Mr. EMERSON. The latest data on quality control, which is for 1983, indicates that the error rate for payments to persons who are either ineligible or receive too many benefits was 8.36 percent, a decrease from prior years.

Can you tell me why the latest data is from 1983? Can't the States and the Department be more prompt?

Mr. CONRAD. Mr. Emerson, the way the Quality Control Program operates, for the fiscal year 1984 the States complete their review of the cases and must submit them to us by January 5, 1985. Then we are required to verify the last numbers by rereviewing a portion of the State sample and making any indicated adjustments to the State error rate.

We plan to have our 1984 numbers available to this subcommittee and to the States no later than June or July, which will put us within 6 months of the time that the States complete their work. This will give the States a very timely response to understand the most recent causes of errors and plan corrective action.

Mr. EMERSON. Do you have some good indications right now as to new things that States have done to try to reduce their rates of error as opposed to previous years?

Mr. BODE. Yes, sir. We feel that States are improving their operations, not only in the management of their systems with increased automation and better management of systems with increased use of matching, for example, but also in some improved personnel management activities.

All this is, in our view, a result of a two-part approach that we are taking to try to reduce the level of error in the Food Stamp Program. One side of it is a technical assistance effort we call Operation Awareness, where we encourage innovation in the States and comparison by States, so that something that works well one place can be transferred and adapted somewhere else, so that what works well can be expanded broadly.

The other part of that approach is increased State responsibility for the errors in the Food Stamp Program, and that is why we believe in strengthening the error rate sanction system, not as a means of blaming States but in terms of placing fiscal responsibility at the level where decisions that really affect errors can be determined.

Mr. EMERSON. Well, by the information that we have been dealing with, the figure I think is roughly $900 million to $1 billion worth of errors. That is money that could well be spent, $900 million to $1 billion, on delivering food assistance to the poor.

Finally, Mr. Bode, one of the Department's proposals institutes a $50 fee for retail food stores that wish to participate in the Food Stamp Program. What does the Department hope to achieve with this proposal?

Mr. BODE. The purpose of the license fee, Mr. Emerson, is to recognize that a benefit is derived by retail stores from participation in the program and to recoup the cost of servicing those institutions. We now spend about $14 million a year monitoring, licensing, and servicing those institutions, those retail stores. We do not simply sign them up. We try to give them information, help them understand the food stamp regulations, so that they know what rules they are dealing with.

About $10.5 billion a year is provided in food assistance and goes through those stores, and that is the primary purpose for the license fee proposal.

Mr. Emerson. Thank you. I have no further questions.

Mr. Panetta. Thank you, Mr. Emerson.

Mr. Olin.

Mr. Olin. Thank you, Mr. Chairman.

I would like to ask a couple questions, Mr. Bode.

Basically what concerns me here is what the administration really has in mind with this Optional Nutrition Program in the sense of moving off of the Federal program onto a State program which offers the possibility of adding ultimately 50 different programs, plus some for our territories. I just do not see how that quite "gees in" with your idea to cut errors, to simplify, to computerize, and to make this thing run more efficiently, unless it is really your objective to terminate the program at some time in the future.

Would you comment on that a little bit?

Mr. Bode. Mr. Olin, we have no hidden agenda to terminate the Food Stamp Program; we would like to assure you of that at the outset.

I believe that our two initiatives of working to improve the efficiency and reduce errors and waste in the Food Stamp Program, and our optional block grant proposal, are very consistent.

Mr. Olin. How does giving each State its own options give you more efficiency? It is not at all evident how that comes about.

Mr. Bode. The State, under an optional block grant, would receive a grant, a fixed amount of money. The money would be adjusted according to various factors. But the State would receive a grant. There would be a great deal of incentive, then, at the State level for the State to make the best possible use of that fixed amount of money which it receives rather than the open-ended entitlement it has through the Food Stamp Program. That incentive, we feel, would give the State all this responsibility and discretion on designing its program in a manner that will be most efficient.

That is why we feel that the optional block grant proposal will enable States to do a better job of getting assistance to the low-income people in that State than they can do——

Mr. Olin. I hear what you are saying, except that they get money today and they match the money, and they have plenty of incentive right today to cut the costs and use better methods.

Mr. Bode. I guess I don't think so, Mr. Olin. At present the benefits in the Food Stamp Program are entirely Federal.

I do not mean to sound like I feel State and local administrators do not care about waste. I think they certainly do. They are dedicated public servants. But they are concerned most with where they are getting the most—where they have the strongest incentives. That at the State level is most certainly where State money is involved.

Mr. Olin. Will they be free to change from food stamps to cash, for example?

Mr. Bode. Yes, sir, that would be part of the discretion that they would have.

Mr. OLIN. Would you visualize ultimately, then, possibly combining services with AFDC and Medicare under one, basically ending up with the Food Stamp Program losing its identity as a food program? Do you visualize that as one of the outcomes of this move you are making?

Mr. BODE. I could see the combination of benefits that are issued with AFDC, for example, as certainly a possible outcome or means of implementing the food assistance grant, optional grant. In other words, if a certain amount of the benefits for a household are determined to be for the food assistance and a certain amount for AFDC, it is quite possible that a State—and not surprising—if a State would decide to issue one check for the benefits and specify on the check what is the amount for AFDC and what is the amount for food assistance. It would probably save some money there on issuance costs.

Mr. OLIN. I think we have reasonable cause to be quite suspicious of what your ultimate intention is. Based on what we have seen happen to block grants up to now, the general trend has been the block grant does not quite support the purpose for which it was proposed, and then later on it is proposed that the block grant be dropped altogether. If that is the intention, it ought to come out in the open so we can see what we are dealing with.

If it is really the intention of the administration to put the total question of providing food assistance to poor people across the Nation in 50 different programs, then that is something that we really want to be sure we want to do, if we were to do that. I suspect we won't.

Mr. BODE. I understand. I understand your concern, Mr. Olin.

I think that the block grants that you were referring to that were implemented, particularly in 1981, were enacted at a time when some major budget reductions were being made in programs generally——

Mr. OLIN. We are making them now quite generally.

Mr. BODE. Yes, sir, but——

Mr. OLIN. You want to reduce everything.

Mr. BODE. No major reductions are proposed for the Food Stamp Program this year, and if you would examine the language of the legislation, I think you will find what is intended to be a formula that provides those States with a very good option. It is a budget-neutral sort of option, and the State also has the option under our proposal to elect to return to the regular Food Stamp Program from the grant program.

There is no hidden agenda of the sort that you are concerned about here.

The fact that it is an optional proposal is certainly one that I think weighs heavily against the argument that you articulated.

Mr. OLIN. May I ask one other final question?

Mr. BODE. Yes, sir.

Mr. OLIN. That is the question of the mandatory workfare program. I am as much in favor, as you and everybody else is, of having able-bodied people work. I think the people are in favor of that themselves.

However, to what extent does your proposal allow discretion for a locality to structure a program that fits the local with regard to the demographics of the people, the employment opportunity, the skills that are needed in the community and how that matches the people? To what extent do you intend to mandate under your suggestion the details of a work program for the cities and counties?

Mr. **Bode**. A great deal of discretion is left to the State and local levels.

Mr. **Olin**. What is mandated?

Mr. **Bode**. What is mandated is that a program exists and that we would phase in over 3 years to a level where ultimately 75 percent of the work of the eligible population, work-registering population, I think the people you are referring to, would be in, required to be in a community work experience cycle.

Mr. **Olin**. Seventy-five percent of the recipients have to be—employment has to be found? They have to be working; is that what you mean?

Mr. **Bode**. Yes, sir.

Mr. **Olin**. I am just having trouble catching what you mean.

Mr. **Bode**. I am sorry if I was not clear. Seventy-five percent would be in the community work experience program. That gives a cushion, if you will, of 25 percent to account for the needs to recognize that full participation——

Mr. **Olin**. The city is, let's say, mandated to find employment and actually have employed, paid on some basis, 75 percent of the food stamp recipients in some period of time?

Mr. **Emerson**. Would the gentleman yield?

Mr. **Olin**. I would yield.

Mr. **Emerson**. Isn't that 75 percent of the able-bodied food stamp participants, not of all food stamp recipients but of the ablebodied?

Mr. **Bode**. We are talking about the work registration population.

Mr. **Olin**. Assuming the people are not disabled in some fashion.

You are mandating the achievement, then, of employment, higher employment levels?

Mr. **Bode**. We are mandating that 75 percent ultimately—it would phase into 75 percent—of the work registration population would be involved——

Mr. **Olin**. Would be employed.

Mr. **Bode** [continuing]. In the Community Work Experience Program.

Mr. **Olin**. If you can carry that off, I think we ought to adopt that for the whole country. That's a great program.

How does it occur? We have 8-something million people unemployed on the record, and there are probably 3 or 4 million more that are unemployed. We have a whole bunch that are underemployed. We are struggling as a Nation to get that corrected.

Mr. **Bode**. Sir, examples of the community work experience-type jobs that are now present in some of our sites are food service, cafeteria work, food distribution, cooking, custodian and building maintenance, clerical work, general office work and bookkeeping, working as a receptionist or records clerk, child care, teacher's aide, aiding the elderly. The list is rather long.

Mr. **Olin**. You are talking about getting the people to put in some time, then, on work, not necessarily have jobs?

Mr. **Bode**. That is correct. It is a community work experience position.

Mr. **Olin**. Who would pay?

Mr. **Bode**. The benefits that the food stamp household receives—and it is tied in with the AFDC Program as well——

Mr. **Olin**. If I wanted a babysitter, I would say, "Send me somebody on food stamps"——

Mr. **Bode**. No.

Mr. **Olin** [continuing]. And I would get free babysitting service?

Mr. **Bode**. No. An example would be, if a local school determined that they could use and benefit from an additional person working in the school cafeteria, then the Community Work Experience Program would place a nonworking work registrant from the Food Stamp Program there, and that person would provide the community service and——

Mr. **Olin**. Excuse me. Would that replace somebody that had a regular job?

Mr. **Bode**. No, sir.

Mr. **Olin**. You could have four or five part-time people working in place of a regular employee?

Mr. **Bode**. That is why I refer to additional workers. That is one of the requirements specified in the statute, or rather in our legislative proposal.

Mr. **Olin**. The reason I am so skeptical on this is that I am very much in favor of people getting regular jobs and moving themselves off of these programs. I think the people are, too. However, I am very, very cautious about designing a program, particularly mandatory ones, which could give us some results far different than we are anticipating.

I happen to live in a region where employers in the region now are moving very, very strongly to part-time, temporary employees that do not get the regular employee benefits that companies normally supply. They find this to be a very attractive way to run their companies because it costs them less. They have people there employed that are going to be forever on welfare unless that changes, because they are not paying enough for an individual to live. There is nothing illegal about what they are doing, but it is a lousy practice.

In the long run the employees are going to get really mad about being treated that way, but they are the victims of the unemployment situation and they have to have some source of employment.

There are lots of opportunities for mandatory programs of this nature to get off the track. I think that the administration, if it is really proposing this, needs to really think through to what extent activities should be mandated and to what extent you ought to let localities use very good judgment on how they handle these programs, because they can play games meeting your objectives that you mandate and we can end up with one awful problem in this country of having encouraged job-holding—which this is not real jobs; it is just a means of making us feel good about the fact we made somebody work. We end up with no benefit to the country, maybe worse off.

You do not need to answer that. I just throw it out as a caution.

Mr. BODE. If I may, Mr. Olin, I think there are two additional factors I might provide you.

One is that this community work experience does not entail private sector work in the Community Work Experience Program. That is separate from the job search activities in the Food Stamp Program where work registrants are encouraged to register for work and find regular employment.

The other factor is that we have had experience with the Community Work Experience Program in the earlier workfare demonstration sites. In that 6 years of experience we have not had problems with displacement which had been a concern for some time about this sort of activity.

That problem just has not been there.

Mr. OLIN. Mr. Bode, I think there have been job search programs that have been successful. I have some localities in my area where they are very pleased with the program. They have quite a bit of flexibility in how they run it. They are successful in getting some people that ordinarily you would not think were employable into jobs. I am not talking about synthetic jobs or part-time jobs or temporary jobs; these end up being real jobs. But they are having an awful time getting 75 percent, I'll say that, as much as that is a desirable goal.

I just throw out that caution.

Mr. Chairman, I think I have probably used my time.

I will yield back the rest of my time.

Mr. PANETTA. Thank you very much.

I think the gentleman has mentioned a lot of concerns that need to be raised. Even the communities that have enacted workfare pilot programs such as San Diego, all oppose mandating workfare per se. Let me tell you what the consequence is when you mandate such a program. You get a bunch of bureaucrats who will go ahead and implement an arbitrary system to meet a mandate, without focus on backup operations you need to make this kind of program work.

Everywhere we have gone—the hearing we had in Boston provided an example of what I thought was a very successful employment training program in which they incorporate abroad range of programs. This State system includes work opportunities within the community, but then for the people who do not have diplomas, who do not have skills, they have a built-in system to provide job training and to place people into more permanent employment. That is the kind of proposal that needs to be developed at the local level. You do not get positive results simply by the Federal Government declaring that that should happen. That is our experience.

It may be great to talk about this kind of proposal. It may sound like you are really interested in putting people to work, but, very frankly, when it comes right down to it in terms of communities and whether it works, it doesn't work.

What you say you are trying to do and what you are proposing here, are two different things all together. That is why, if you are really serious about this, what you focus on is job search funding, job training funding, the kind of things that really serve as a positive backup to help communities get people to work. That is the key. That's the key, Mr. Bode.

Mr. Bode. Mr. Chairman, we are very concerned about meeting the objectives that we have outlined. We also have to keep in mind that with the Food Stamp Program benefits federally funded exclusively, the incentive for the State and local levels to give that program as high a priority treatment as for other programs, is simply not there. That is why we have had a slowness, relatively speaking, to move in this regard with respect to the Food Stamp Program.

Mr. Panetta. Does the chairman wish to ask any questions of the administration?

The Chairman. Thank you very much, Mr. Chairman.

I read your testimony, Mr. Bode, and have several questions, one of which concerns the $50 fee for retailers and so on. What is the basis for the fee or are you falling into the syndrome of user fees? I would differentiate user fees from fees for basically doing a service. The grocer is performing a service by accepting the food stamp rather than cash, but which would be the easier for him?

Mr. Bode. The retailers certainly do provide a service in the role they play in the Food Stamp Program. We feel they also receive a benefit from the role they play in the Food Stamp Program, with about $10.5 billion worth of food stamp benefits flowing through the retailers.

As to the cost of servicing those retailers—how many staff years is it, Virgil?

Mr. Conrad. 365.

Mr. Bode. 365 staff years annually at a cost of about $14 million for the Federal Government to service the retailers, to license them, to help educate them on what the food stamp regulations are, how they perform as a part of the Food Stamp Program.

The Chairman. How much do you intend to recoup with this $50 fee?

Mr. Bode. About $11.5 million.

The Chairman. Do you have a breakdown? Are you charging the same to large retailers such as Giant Foods as you are to mom-and-pop stores or the corner grocer?

Mr. Bode. Yes, sir. The reason for that is the cost of the services we provide to those stores is pretty much the same despite their size.

The Chairman. What do you mean by service? Can you document beyond allowing them to receive food stamps? What do you service afterwards?

Mr. Bode. Maybe I should have Mr. Conrad explain.

Mr. Conrad. Mr. Chairman, the activities that we perform, in addition to certifying their eligibility, we provide monitoring and educational visits to them annually; we provide oversight to assure that they are operating within the rules of the program. We have about 50 investigators that draw a sample of the stores and go out and determine if they are selling only eligible food stamp items.

The last cost item that we have is an administrative hearing system to assure that retailers accused of program violations have an opportunity for an impartial administrative hearing.

It is a combination of those four activities that consumes our staff support to the retail community. Last year we made 68,354 monitoring visits, 13,134 compliance visits, 4,651 investigations and 1,128 administrative reviews.

The CHAIRMAN. This is a normal activity. Anyway, you have administrative hearings in the USDA for Farmers Home, for ASCS, or for any other activity of the USDA?

Mr. BODE. With respect to the disqualification of retailers when rule violations occur——

The CHAIRMAN. No; you have appeals. Farmers Home has appeals; ASCS has appeals—all of the service areas of USDA have an appeals process.

Maybe we will find the $14 million some other place because, I can assure you, it is going to cause more problems than you can envision. You nod your head no, but I say yes.

Since we have had this new chairman, we have tightened food stamps to where if someone gets food stamps and does not deserve them, either one of two things happened: The person did not tell the truth or someone made a mistake. Otherwise, there is no way you can get food stamps. There are those who complain about the leeches and the frauds and so on, but you cannot eliminate a person's not telling the truth or someone making a mistake.

I found—you worked with me, and I appreciate it very much—during the freeze a year and a half ago in my area that we tightened the program so much that people who deserved to be on food stamps were not eligible. Let me repeat: The tightening had been to such an extent that many who should or needed the food stamps were not eligible.

This administration is streamlining everything. We are faced with tax simplification, and so on. Do you address that issue? I could not find any reference in reading your testimony, but are you doing anything to simplify? Are you proposing to simplify the program to see that a person who is needy and worthy of assistance is able to get stamps at the time they are needed?

Mr. BODE. Mr. Chairman, we proposed a major simplification legislative package 2 years ago. Frankly, it did not go anywhere.

What we are doing now is we are working not only with the States, but also with the Department of Health and Human Services to simplify the regulations in the Food Stamp Program and try to establish better consistency with other programs like the AFDC program. In that way we feel that the program can be simpler to administer and streamlined in that regard. That would cut down on some of those mistakes that you referred to earlier that not only result in overissuances and cost to the taxpayers, but sometimes can result in underissuances to people who are eligible for benefits not receiving them because of mistakes. The mistakes cut two ways there. That is why we feel that they have to be attacked with great vigor.

The CHAIRMAN. I know that we are in a very difficult situation as far as the budget is concerned, but the Agriculture Committee and this subcommittee have been very, very responsible. If you would look back, we have reduced in every possible way, and there is only so much juice you can squeeze out of a turnip.

I think the thrust of any legislation should be to save, but I think the record shows enormous savings by the full committee and this subcommittee. We have been very, very responsible in that respect and even the President has commended us. But it does not make headlines when you do what you are supposed to do.

I would hope that you would address the issues and see that it is a program to be utilized for the benefit of citizens of this country and that we do it as effectively costwise as possible including looking for simplification. But, where there is a need, the person should not have to appeal to the Congress, or the Governor or be bounced around. We should not have to be calling you concerning emergencies, but rather you have in place criteria and steps necessary to address the issues. We should not have to wait until we are in the middle of a disaster before we attempt to address an issue.

Mr. Bode. Yes, sir. Your concern about responsiveness and streamlining in the program proper is one that we share. We are trying to move toward that.

I also feel it is important that we maintain flexibility, though, to respond as we did with respect to the Texas situation in disaster situations, because when a disaster occurs, certain temporary modifications in the regular program in that situation are sometimes appropriate, though they would not be otherwise.

We intend to keep that flexible approach, so that we can respond quickly in disaster situations.

The Chairman. Thank you very much.

I am sorry it took more time than I intended, Mr. Chairman. I appreciate it.

I do appreciate very much your always courteous response to my specific requests, and the cooperation from you and your people when we have had problems.

My interest in this brief colloquy is to see that issues do not become problems, that we address the issues to the extent possible before they arise.

Mr. Bode. Yes, sir. It is a pleasure, Mr. Chairman.

Mr. Panetta. Thank you, Mr. Chairman.

Mr. Staggers.

Mr. Staggers. Thank you, Mr. Chairman.

Getting back to the Temporary Emergency Food Assistance Program, there is indication that, especially in my State, if local administrative funding is not provided or if there are cutbacks, my State will have to opt out. We have had several people or several recipients in our State—since January 1982, it has increased by over 460,000 over the first year of operation. There is a large number of West Virginians that were served in that first year, and it has increased by almost another 100,000 in 1984.

I have heard you respond. I assume that it is your feeling, your opinion, but isn't it true you do not know whether these States will have to opt out of this Emergency Food Assistance Program? Isn't that true?

Mr. Bode. Mr. Staggers, I certainly do not have written guarantees that no State will opt out. I am sure that if I went out and polled the States right——

Mr. Staggers. I am being told in West Virginia that they are going to opt out. I am being told that in States where—West Virginia leads the Nation in unemployment—where there is a large number of people who are suffering, that it will opt out.

Your feelings aside and your best guess, I am here to tell you that it is not true.

Mr. BODE. I would also point out, sir, that I think the States have some incentive to make that kind of a prediction now, when the continuation of administrative funding for them is at issue.

I would be very surprised if a Governor determined that, because he and his State were requested to provide 4 percent of the cost of providing a program to the people of that State, it would not be continued. That is basically what it comes down to.

Mr. STAGGERS. That may be true in some States where unemployment is not a problem, where there is a large economic base which provides a tax base. In West Virginia we are not that fortunate. We have basically three industries. We have chemical, coal, and steel. Because of the administration's proposals, steel is not in a very good situation. Coal is being affected by some of the policies also. The chemicals have their own problems.

Switching tracks, there does appear that with infant mortality we have made some gains in the past, but for those between 1 month and 12 months, this has not been the case. In fact, mortality has increased.

Are you investigating this—and perhaps I came in late and did not hear, and you may have been asked this before—but do you have any facts that in cutbacks with food stamps that these individuals, the younger people in our society, between 1 month and 12 months, may be adversely affected? Do you have anything to show to the contrary?

Mr. BODE. Sir, I am not aware of any data that cuts one way or the other on that issue.

Mr. STAGGERS. It is true, though, that infant mortality in that age range has increased; isn't that true?

Mr. BODE. Infant mortality has as a whole——

Mr. STAGGERS. I am not referring to this as a whole.

Mr. BODE. Infant mortality between 1982 and 1983 was reduced, has gone down.

Mr. STAGGERS. I am talking about from 1 to 12 months.

Mr. BODE. The 1-month-to-12-month breakdown is not one with which I am familiar.

Mr. Staggers, I am sorry, I don't have the data in front of me. There has been, I know, a reduction in the rate of decline in infant mortality.

Mr. STAGGERS. Overall?

Mr. BODE. And the issue has been most significant in that age group you are talking about.

Mr. STAGGERS. I would ask you to look. The infants that are already born, between 1 month and 12 months, I would ask you to look at that. I think you will find that the infant mortality is up. I would ask you to consider the fact that, if we continue to cut some of the food stamp programs, it may in fact increase that even more. I do not think that is the direction this Nation wants to go.

Let me ask you about another problem that I am having. In your testimony you talk about distributing some of the surplus commodities. I know there is a real problem worldwide that we are all concerned about, but we also have problems domestically about getting some of those surplus commodities to the people who actually need them.

Have there been any studies or any help from the Federal Government that may be able to address those problems, also, domestically, not just worldwide?

Mr. BODE. Domestic distribution of commodities?

Mr. STAGGERS. Helping to actually make sure—for instance, in my State, if a county can afford it, they are able to distribute some of the surpluses. In some of the poorer counties where it is needed, they do not have the money to actually help to distribute the surplus commodities.

Mr. BODE. I was not familiar with that problem in your State, Congressman.

We have provided technical assistance workshops to try to help State and local administrators involved in the Temporary Food Distribution Program to make the best use of available resources and get their job done as efficiently as possible, and also to assist in getting commodities distributed effectively across the State.

Mr. STAGGERS. Efficiency means that we are going to rely upon the people who already have the resources, and the poorer counties are not going to be able to do that.

Mr. BODE. That is certainly not what I mean by efficiency.

Mr. STAGGERS. Good.

The chairman touched on this, which I am concerned about also, as did Mr. Emerson.

Concerning the retailers, I have heard your rationale about cutting back the costs of administering it, but one statement the chairman made which concerns me very much with rural America is that, what about the ma-and-pa type of retailers? Is this going to be across the board?

I know that the cost to you may be the same. Have you asked the retailers whether there will be an incentive to actually withdraw from the Food Stamp Program?

Mr. BODE. Mr. Staggers, we share that concern about those stores, particularly in rural areas—I am sure there are many in West Virginia. They are the store that is available for food stamp recipients to spend their stamps and get the food they need.

Mr. STAGGERS. Not only food stamp recipients, but everybody.

Mr. BODE. Well, at any rate, yes. What we include in our proposal to address that concern is waiver authority so that in cases where the store is providing access to the Food Stamp Program to food stamp recipients the $50 fee could be waived in those stores.

Mr. STAGGERS. So it can be waived?

Mr. BODE. Yes, sir, it can be waived. It is particularly for that kind of store that that waiver provision was included. We certainly do not intend to cause dropout of the Food Stamp Program by stores that are the source of access to using food stamps.

Mr. STAGGERS. What would a retailer have to show to actually obtain a waiver?

Mr. BODE. Go ahead.

Mr. CONRAD. There would be basically two criteria that we would envision. Of course, we would go through a regulatory process and get input from the retailers. However, what we would envision is, if a store were the only store available to the recipient, if that facility was a marginal food stamp customer, meaning that they only did some small dollar a month where it would be a hardship to pay the

$50 fee, then they would have to show a financial hardship and that they are the only store available. Basically, that is where we would start from with our regulation, and we would get comments, then, from the retail community to design other criteria into the waiver.

Mr. STAGGERS. So, it is not actually firm yet?

Mr. CONRAD. No, sir, it would not be until we went through a public rulemaking process to get information on it.

Mr. STAGGERS. Will you share that with the subcommittee?

Mr. CONRAD. Yes; if you all authorize this, we will share the proposed regulation with the subcommittee.

Mr. STAGGERS. Can we get that?

Mr. PANETTA. Yes; what we will do is allow the record to remain open so that we can get that, if time permits.

Mr. STAGGERS. Thank you.

Getting back once again to the retailers, have you ascertained what the cost of collecting that $50 is? Is there a cost involved in collecting that fee?

Mr. CONRAD. We communicate annually to the retailers now, and we would envision the submission of the billing would go out under one of those regular mailing systems. We are going to attempt to keep the administrative costs down. We have not asked for any additional cost to administer this program. We would do it from existing resources.

Mr. STAGGERS. So it is a factual matter, no cost?

Mr. BODE. I think the administrative cost associated with that would be negligible.

Mr. STAGGERS. Getting back to Mr. Olin's line of questioning, and I will take it in reverse order so it will be easier—his last point dealt with the workfare.

Once again, in West Virginia—I am speaking from my State's experience—if you do come from a community that is a single-industry-type base, if there are problems in that industry, you are going to have high unemployment anyway. That flexibility, I believe, needs to exist so that you can make some sort of effort to allow these people to comply. If you do have this hard-and-set 75 percent that have to be working, I think that you are going to get into a situation that Mr. Olin is concerned with also.

You say that it will not be replacing people, but I think there will be an incentive—your example was the school board—it will be an incentive for them if they know that in the next 5 years things are not going to get better, that there will be the part-time employee.

Once again, I think that it is your feeling. Do you have any studies to show that this is even a possibility?

Mr. BODE. In West Virginia, sir, AFDC has a very effective community work experience program.

Mr. STAGGERS. I am aware of that.

Mr. BODE. In that program now, under the optional program, over 40 percent of the work registration population is participating. We do feel after the third year 75 percent is a reasonable standard. It recognizes the need for flexibility and that is in the 25 percent of the work registrants who need not be in CWEP.

Mr. Staggers. What if the economy does not improve in West Virginia and that 40 percent is the most we can get? Isn't it undue hardship on the people in West Virginia that we are going to mandate in 3 years 75 percent?

Mr. Bode. I do not see how the percentage we are talking about is directly related to the state of the local economy. We are talking about a public sector of service, service to communities.

Mr. Staggers. There is only so much of that work that can be done.

Mr. Bode. I beg your pardon?

Mr. Staggers. There is only so much of that work that can be done. Some people are already doing public sector jobs, believe it or not. We do have people in West Virginia who are in the State government who are doing some of those jobs already.

For instance, the cooks that you mentioned, the food service——

Mr. Bode. Yes.

Mr. Staggers [continuing]. Those people are getting paid and actually paying taxes.

Isn't there an incentive? Don't you put them between the so-called rock and a hard place, that these local agencies are going to be having more of an incentive statewide as well, that if we are going to come under this 75-percent mandate, we are going to have to do something else that will be of benefit to them to get rid of some of these other people, which will just make the situation even worse?

I disagree with you. I think there is some relationship between the local economy.

Mr. Bode. We feel the Community Work Experience Program is going to provide benefits not only because of the job skills that participants receive, but those job skills have had the effect of helping those people in the Community Work Experience Program move off the regular food stamp rolls more quickly. Those job skills help them get off and into regular employment.

Mr. Staggers. That is fine, but shouldn't we allow the States to have the flexibility?

Mr. Bode. I would submit that the Federal level should set requirements in the Food Stamp Program. We have 100 percent of the benefits in the program——

Mr. Staggers. Is there any way that a State which is in a desperate situation and cannot meet that—are there any options such as we are going to allow to the retailers? I assume that there are not; that this is a hard-and-fast rule; that you are not going to make any type of consideration?

Mr. Bode. We believe that the proposal, the program we are proposing should be implemented in every State.

Mr. Staggers. So there would be no——

Mr. Bode. The option would be, if the State determined that the Food Stamp Program—and that should be the regular Food Stamp Program in our view—is not appropriate for that State, we also propose that the State have the option of taking a nutrition assistance grant in lieu of the Food Stamp Program, and the benefits that the State would have access to under that grant would be adjusted annually and reflect the estimated cost of the Food Stamp Program in that State.

Mr. STAGGERS. That brings me back to Mr. Olin's first concern—the hidden agenda. I guess this is not really a question, more of an editorial comment.

It would appear that maybe the comment would be this: It would be very hard to do away with the Food Stamp Program today. I think you would agree with that. However, one way to do that would be to change the rules, to put it onto the States so that they have no way of making a success, and maybe 2 or 3 years from now that we could do away with it.

I think that Mr. Olin's suspicion would be shared by this member also.

I have no further questions, Mr. Chairman.

Mr. PANETTA. Thank you, Mr. Staggers.

Thank you again to Mr. Bode and the members of the administration team. I appreciate your taking the time to come here. We may not always agree with what you present, but at the same time you have been cordial in responding to the questions. We would appreciate your getting those reports to us as soon as you can on those other issues. That would help us in our subcommittee tasks this year.

Thank you very much.

Mr. BODE. We regret those are late.

Mr. PANETTA. I would like to call to the witness table Mr. Anthony Gabriel, Deputy Inspector General of the U.S. Department of Agriculture, and Thomas Burke, who is the Assistant Inspector General for Investigations. I would like to have both of those gentlemen come forward.

Thank you very much for coming, gentlemen. I appreciate your responding to our invitation.

Mr. Gabriel, you may proceed with your testimony.

STATEMENT OF ANTHONY J. GABRIEL, DEPUTY INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GENERAL, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY THOMAS BURKE, ASSISTANT INSPECTOR GENERAL, INVESTIGATIONS, AND ROBERT MILLER, DEPUTY ASSISTANT INSPECTOR GENERAL, AUDIT

Mr. GABRIEL. Mr. Chairman, members of the subcommittee, thank you for the invitation to appear before you today.

I am accompanied today by Mr. Thomas Burke, on my left, the Assistant Inspector General for Investigations, and Mr. Robert Miller, Deputy Assistant Inspector General for Audit.

As you know, the Office of Inspector General provides oversight for all programs of the Department of Agriculture through its audits and investigations. In your April 9 request you identified several Food and Nutrition Service [FNS] programs of interest to your subcommittee that you would like to discuss.

As a result of our audit and investigative efforts, we have done extensive work in reviewing and monitoring the Food Stamp Program. Because of the smaller funding levels, the Commodity Supplemental Food Program and the nutritional education efforts you mentioned are programs which we feel are less vulnerable and, therefore, account for much less of our resources. Our work in the

Temporary Emergency Food Assistance Program [TEFAP] is usually based on the identification of a problem and referral to the Office of Inspector General.

In fiscal year 1984 over 26 percent of our audit and investigative resources were used as part of our oversight efforts of the Food and Nutrition Service programs. Our audit efforts have focused on FNS's actions to implement wage matching, remove ineligibles from the rolls, and collect improper benefits. Our investigative efforts have been in major food stamp thefts, recipient fraud rings, and major violations by authorized retail grocery stores. In addition, we received assistance addressing violations in this program from other Federal, State, and local agencies.

I have no formal prepared remarks detailing our efforts in these programs, but we are prepared to respond to any questions the subcommittee may have.

Mr. **Panetta**. Thank you very much, Mr. Gabriel.

Let me proceed, then, to ask some questions.

One of the areas was with regard to the audits on the Temporary Emergency Food Assistance Program. We have received reports of some strict audits. One report indicated that a local agency was held liable for the value of leftover cheese provided to a hospital.

The question I would ask is, what standards are utilized in auditing the local agencies? Is any tolerance level allowed for commodities that are improperly distributed or lost or wasted? Does your office make any allowance for the fact that many programs are largely staffed by volunteers?

Mr. **Gabriel**. Yes, sir.

When the program was initially designed as a temporary emergency program, the emphasis was to get the commodities out of the warehouses and out to the State distribution points. From that point, a State plan of operation was to be developed with the State and Federal officials. It was the emphasis given to the State to exercise the control over the commodities and also over the eligibility.

Our concerns are primarily with major things that happen. When something is called to our attention—we had one recent case, and I will let Mr. Miller go into the details on it. It dealt with warehousing and refrigeration problems. It is the kind of a case, that the media begins to report, and it could be just an isolated case in one locale but involving a significant amount of commodities. As a consequence, we go in and review in depth those matters to the point of establishing a claim. In that particular case I believe the claim established was in excess of $200,000.

It is the major ones that we go after.

Is there anything, Tom, that you want to add to that?

Mr. **Burke**. That particular case happened to be the result of an audit. It is public information. That was Detroit.

Mr. **Panetta**. How much was involved in that situation? Again, I guess the question I have is, the way it was presented to us, it seemed a little heavy, but that is what I am trying to check out—whether that was a substantial case or whether it was something that was more minor.

Mr. **Miller**. It was an unusual case, one of the larger ones we have had. There was a shortage that they could not account for plus a spoiled amount totaling about 500,000 to 600,000 pounds. The value of those commodities was approximately $400,000. In addition, the amount of commodities that they had on hand was well in excess of their average need.

Based on the usage rate that they were handling at the time we were there, approximately a 2-year supply of commodities on hand. The value of that was in excess of $1 million.

Mr. PANETTA. That sounds fairly substantial.

We have some testimony, I think, coming up in the next few days on some smaller cases. If you do not mind, I would like to be able to refer those to you and have you comment on those, if you could, out of North Carolina and some other areas, in which evidently the amounts involved are much smaller. That is what I am trying to check out.

Mr. MILLER. We would be glad to, Mr. Chairman.

Mr. PANETTA. Mr. Burke, could you please comment generally on the history of financial institutions in the issuance and redemption of food stamps?

We are looking at a proposal to provide federally insured credit unions with that capability. I am wondering whether you could comment generally on what you have been able to see in that area.

Mr. BURKE. Currently, as you know, Mr. Chairman, the credit unions are not in the program, that is, not redeeming food stamps.

I have looked at the proposed bill. We have no real comment on it. I was asked to give you some of the history insofar as credit unions and other institutions are concerned.

Back in 1974-75, the Food Stamp Program required the recipients to purchase their food stamps. The purchase requirement was eliminated eventually. At that time we had a major problem with credit unions in that they collected the money from the recipients and then failed to submit it to the Federal Reserve through a corresponding bank. They not only failed on some occasions to do this, but they generally tended to lag the payments. Many of them were investing the moneys collected in 30-, 60-, 90-day-type notes. Eventually, they sent it in to the Federal Reserve. With the elimination of the cash requirement, this automatically eliminated the credit unions from the program.

The program is vastly different today, as you know. There is no cash needed. We do not have any problems, to my knowledge, currently with credit unions. We have something in the neighborhood of 9,000 banks that are currently servicing the Food Stamp Program, plus several thousand branches of those banks throughout the United States. It appears that we have an adequate number of banking institutions to accept the food stamps from the retailers. I see no major problem if they do come into the program. I do see a problem with the Food and Nutrition Service servicing them. Adding ADP resources and things of that nature will add to the servicing costs contingent upon the number of institutions that come in. I know there is in the neighborhood of 11,000 credit unions throughout the United States. I doubt seriously whether any large number of those would attempt to come into the program.

Is there anything else I can add to that, sir?

Mr. PANETTA. Let me ask you both generally your experience over the past couple years. Has your level of investigations in this area leveled off, increased, decreased? What generally are you seeing?

Mr. GABRIEL. Is this for the entire Food Stamp Program?

Mr. PANETTA. Yes.

Mr. GABRIEL. There are three primary areas to this program, as you know: the certification-recertification, the issuance, and the redemption portion. From an audit perspective, a good thrust of our work is into the certification-recertification and computer matching that we use to get the hits that will eventually lead to possible elimination of ineligibles from the rolls.

We put into the Food and Nutrition Service Programs as a whole approximately 26 percent of our resources. That includes the Food Stamp Program.

With respect to the investigations, I would like to have Mr. Burke address that, where we investigate some of the trafficking problems and the other violations of law. He could also mention the incidence of referrals.

Mr. PANETTA. Mr. Burke.

Mr. BURKE. Mr. Chairman, last year on the investigators' side of the house, we put 29 percent of our resources into the Food and Nutrition Service. When you average that out within our entire organization, of course, it is less.

That is a decrease of about 20 percent over 1983. We really have not diminished our attention from the investigative aspects because in January 1984 we negotiated an agreement with the Secret Service in which they accepted certain areas of investigation that we were finding more and more difficult to address; namely, those people outside of the program, not retailers, not recipients, not caseworkers, but people who are outside of the program attempting to derive benefits from it such as a cab driver who would be looking to buy stamps at 50 percent off—the street-type people.

Last year we produced over 700 investigative reports in the Food Stamp Program alone. Our investigations have also resulted in nearly 800 indictments in this area.

We do not believe that we have diminished our attention at all. We do not intend to, either, sir.

Mr. PANETTA. Are you seeing an increased incidence or are there increased complaints coming in or is it fairly stable in terms of the level of workload that you have been doing in recent years?

Mr. BURKE. I think it has been relatively stable for the past couple of years. We have made tremendous inroads through deterrence and through our assistance with audit in the computer matching and things of this nature, which have gotten a great deal of publicity.

We have had numerous major cases such as major thefts where we lost—well, we did not lose but there was a $4.8 million theft of food stamps from the printer in Philadelphia. We got back about $3 million of it. We made over 50 arrests and things of this nature.

The deterrent effect is evident, particularly since the media gives our activities a great deal of attention.

Mr. PANETTA. Thank you.

Mr. Emerson.

Mr. **Emerson**. Thank you, Mr. Chairman.

I think you have asked most of the questions. I have one additional question.

I believe the inspector general's office has been involved in the Department's bank monitoring project in which the number of food coupons redeemed is compared to the number issued. Would you describe this project and give us your assessment of it?

Mr. **Gabriel**. I believe Mr. Burke has some information with us. If we do not, we will have to provide it for the record.

Mr. **Emerson**. That would be fine.

Mr. **Burke**. Mr. Emerson, I have to give you a little history first.

Back in 1980–81 the Food and Nutrition Service discovered that they could not account on paper for approximately $200 million in food stamps for that year. This is not a loss. It is not a theft. It is not fraud. It was a quirk-type thing in their accounting systems.

Back at that time the retail stores filled out a redemption certificate and married it with the food stamps which they received that month, or whatever period they wanted to, and brought it to the bank. The bank, in turn, was responsible to take the redemption certificate and mail it to Minneapolis, which is where the computer system is for FNS monitoring of redemptions. In turn, the banks sent the food stamps to the Federal Reserve.

What happened, after analysis, was the Federal Reserve said they took in *x* dollars of food stamps. The computer redemption center monitoring system in Minneapolis could not account for this amount. They said there was approximately $200,000 difference that year.

They found that many of the banks—and there are over 9,000 of them, plus branches—were supposed to mail these redemption certificates separately to Minneapolis. Apparently, they were not all doing that. FNS found that they had about 20 percent error rate by omission. The redemption certificates were not received in Minneapolis.

In 1981 FNS came up with a pilot project which they referred to as the Atlanta project in which they used the banks in the Atlanta Federal Reserve area to test out a new system and a new redemption certificate. To oversimplify, the system called for the redemption certificate to be married to the food stamps by the retailer, carried over to the bank, and instead of the bank taking the redemption certificate and mailing it to Minneapolis, the retailer forwarded each redemption certificate to the Federal Reserve.

Then it was the Federal Reserve's responsibility to take all of the redemption certificates and send them to Minneapolis. By so doing, the collection of redemption certificates was simplified. The redemption certificates were also sent from only 14 locations instead of 9,000 locations, and the computer system was modified also. Now the system is working.

Based on the Atlanta experience, FNS decided to use this system nationally. As late as April 1, the last State, the last area, was put into this system, which is California.

I have spoken to people in charge of that system. It still has some flaws. They are looking for a little bit more discipline, but, by and large, they have resolved the accounting differences between that $200,000 and the differences are negligible and within tolerances.

Mr. **Emerson**. What is the status of the prosecution, Mr. Gabriel, in the Detroit case?

Mr. **Gabriel**. Sir, there was no prosecution. It is just an administrative claim. The last I knew, the FNS people were still aggressively pursuing it, $200,000.

Mr. **Emerson**. Because we are looking at the reauthorization here, it is an appropriate time to hear what you are finding. You have commented on it briefly, but in the past we have heard horror stories of trafficking in food stamps and selling food stamps at a discount or using them to buy any sort of item other than that which is allowed by the law.

I gathered from your general comments that you are not seeing any increase in this trafficking, that it is not a serious area of activity, or am I misunderstanding?

Mr. **Gabriel**. Well, I guess the best way to answer that is just a comparison of the referrals and the workload. Mr. Burke would probably have some of his statistics here.

Do you have anything, Tom, on trafficking with respect to referrals?

Mr. **Burke**. We take fraud in the Food Stamp Program very seriously, sir.

This year we have at least one-third of our resources addressing fraud, anomalies, and problems in the Food Stamp Program. I have not seen a decrease in the number of complaints. I have seen a decrease in the number of complaints insofar as individual recipients are concerned. I think that is directly attributable to the deterrent effect of the computer matching, not only by our organization but in harmony and conjunction with HHS in some areas.

Trafficking has not diminished. Theft has not diminished. It is cash.

Mr. **Emerson**. Has it increased?

Mr. **Burke**. Offhand, I would have to say no. It is pretty stable. The dollars and the spread throughout the United States are about the same.

Our prosecutions have gone down somewhat because we have dropped about 10 percent of our resources in the food stamp area to meet equal needs in the other areas of our Department. We still get back quite a bit of money in fines and recoveries. We have judgments and things of this nature on the civil side, too, that we account for.

For instance, last year we got back over $5 million in recoveries alone. Of course, $3 million of it was in that one $4.8 million theft in Philadelphia, but we do, we think, do very well. We think we pay for ourselves.

Mr. **Emerson**. Thank you very much.

Mr. **Olin** [acting chairman]. Thank you, Mr. Emerson.

Gentlemen, I would like to thank you for your testimony.

At this time the hearing will be declared in recess, to reconvene at 1:30 p.m. this afternoon.

[Whereupon, at 12:04 p.m., the subcommittee recessed, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition will be in order for the purpose of continuing a public hearing on the reauthorization of the Food Stamp Program, the Temporary Emergency Food Assistance Program, and other related nutrition programs.

I would like to set up this afternoon a series of panels, if I could. The first three will be, if they will come to the witness table: Sandra Scott, who is director of the Division of Social Services from the Iowa Department of Human Services; Stephen Richman, who is chairman of the Committee on Education and Human Services for the National Association of State Budget Officers, and an assistant chief budget examiner from New York; and Dennis Hart, who is director of the Department of Social Welfare from Sacramento County, CA.

First of all, let me express my appreciation for all of you taking the time to come here and testify. I appreciate it. It is not always easy to make your way to Washington, but it helps us a great deal to have your viewpoints because, as we try to work on the reauthorization bill, our principal goal is to make sure that we can work in conjunction with you at the local level to make sure that the benefits are being provided in an expeditious and efficient way to people who qualify for those benefits. For that reason, I thank you for coming here and taking the time to be with us.

Sandra Scott, would you begin? If you summarize, we will insert your full statement into the record, as we will with all of your statements, as presented to us, and you can either read that statement or summarize it, as you will.

Ms. Scott.

STATEMENT OF SANDRA SCOTT, DEPUTY COMMISSIONER, IOWA DEPARTMENT OF HUMAN SERVICES

Ms. SCOTT. Thank you.

Mr. Chairman and distinguished members of the subcommittee, thank you for inviting me to talk with you about the Food Stamp Program, food assistance programs, and the food needs of Americans living in the heartland. I am here from Iowa, which truly is the heartland of America.

Perspective on Iowa: Iowa is not only geographically in the middle of the United States, but it is "middle America" in a number of ways. Iowa ranks 25th out of the 50 States in land area; it's 27th in total population and in the size of its labor force. In terms of median household income, Iowa ranks 23d, and it's 25th in the Nation for per capita income.

It sometimes surprises people to learn that more than 58 percent of Iowa's 2.9 million people live in urban, not rural, areas. Nonetheless, Iowa ranks second in the Nation for its large number of farms, and it is 12th in terms of acres being farmed. Together these statistics point out the importance Iowans place on small, privately-owned or family farms. More than 80 percent of Iowa's farms are in this category.

Indeed, Iowa is virtually synonymous with farming. Eight of every ten Iowa jobs depends on agriculture. Iowa leads the Nation in corn production. We are second in soybean production, and we raise more than one-fourth of the Nation's pork.

But there is a farm crisis, and it is hitting Iowa hard. Crop and livestock receipts have decreased 13 percent since 1981, and Iowa State University estimates that Iowa farmland prices have plummeted 42 percent during the same period. At the same time farm debt in Iowa has increased more than 71 percent. Hard-working, independent Iowans who pride themselves on their self-sufficient ability to contend with drought, floods, insects, blight, and every other ill nature can throw at them are unable to cope with the State's present economic conditions. Iowa's Secretary of Agriculture projects that between 5,000 to 11,000 Iowa farmers will be forced out of business within the next 2 years.

Farmers and food assistance programs: Helping farmers feed their families is one of my foremost concerns. The irony is that helping the farm economy by encouraging consumption of agricultural products was one of the primary reasons that Congress established the Food Stamp Program in the first place. Today, Iowa farmers are lining up to apply for food stamps.

The number of farm families receiving food stamps in Iowa remains relatively small compared to the total number of recipients, but it has soared dramatically. Since December, the number of farmers applying for food stamps in northwest Iowa, one of the less financially stressed areas of the State, has increased 400 percent.

All together, almost 79,000 Iowa households or around 209,000 individuals received $9.2 million worth of food stamps in the month of February of this year. That is more than 7 percent of the total population of Iowa. Approximately 300,000 people—1 out of every 10 Iowans—receives cheese, flour, rice, or other Federal surplus commodities each month, and still others receive food assistance from the more than 170 private food pantries that operate throughout the State.

Despite all that, it is not enough. The commodity distribution sites often run out of food while people are still waiting in line. Soup kitchens and congregate meal sites report record numbers of clients, and the media contain daily stories of food pantries whose supplies have been depleted by constant stream of applicants.

A statewide survey was conducted in Iowa last spring. I have enclosed an executive summary of that survey.

It stated:

> There is a hunger problem in Iowa and this problem is not restricted to any one group * * * Hunger problems often result in poor health, unpaid bills and even family discord. Although there are many public and voluntary food programs, there are also many barriers which prevent Iowans from adequately dealing with hunger.

The survey also noted that while the school lunch and food stamp programs were seen as the most effective programs, the FEMA program was virtually invisible to most respondents.

Watch words for assistance programs: There are three key concepts which I feel are critical in reauthorization of the Food Stamp Program or in operating any assistance program. One is consistency; two, efficiency; and, third, flexibility that allows us to respond to local conditions.

The proliferation of programs with inconsistent policies, definitions, and procedures, especially when the same clients are served by more than one of them, promotes chaos and increases the probability of errors.

Consequently, cross-program uniformity and consistency should be established whenever possible. Efficiency can also be enhanced with computerization, forms reduction, less frequent rule changes, and local options for benefit delivery.

Even when the funding comes primarily from the Federal Government, as it does for food stamps, welfare programs in America have historically been administered at the State and local levels, and those levels of government should have the flexibility to use the procedures that are most suited to their local conditions.

Better linkage with AFDC and Medicaid Policies: Lower error rates, less confusion about policies, and generally more efficient operations should result if food stamp policies are brought more into line with those of the Aid to Families With Dependent Children [AFDC] Program.

Some examples of this:

One, separate the dependent care and the excess shelter deductions for food stamp households and increase the limits on these deductions to $160 for dependent care and $155 for shelter costs. This would provide significant relief to working households and may have a supplementary benefit by enhancing the attractiveness of employment.

Two, in determining food stamp eligibility and benefits, we should disregard the first $50 of child support received each month. The current inconsistency between the AFDC and the Food Stamp Programs substantially increases the potential for payment errors in both programs.

Three, repeal the mandatory monthly reporting and retrospective budgeting [MRRB] for food stamps, making MRRB a State option with flexible administrative procedures. Although cost-effective in reducing errors in some States, it has not proven effective in all and may, in fact, increase administrative costs.

Four, increase Federal financial support for State computer systems used in administering the Food Stamp Program to the same 90-percent level available through the AFDC and the Medicaid programs. This will encourage increased computerization of food stamp processing and correspondingly improve reliability.

Inappropriateness of block grant financing: The Food Stamp Program has always served, and should always accommodate, all eligible applicants. This premise is totally at odds with the concept of block grants. Providing a block grant for State administrative costs associated with the Food Stamp Program would substantially increase the States' financial burdens at a time when States such as Iowa have the most need of food assistance and are the least able to pay for it.

Mandatory workfare inhibits training efforts: Job training programs which take local labor markets, educational resources, community needs, and individual client's capabilities into account continue to be successful in developing self-supporting individuals who stay off the welfare rolls. These jobs programs ought to be encouraged, but not by imposing mandatory workfare. Mandatory workfare reduces the States' flexibility in designing meaningful programs for individuals and forces them to adopt the most expedient make-work projects available. The result of this may be to make clients more, not less, dependent on welfare since they will not be gaining the job skills that permit self-sufficiency.

Be realistic about error rates: Errors should be reduced, and fiscal sanctions to some extent do encourage lower error rates. However, continually lowering tolerance levels while leaving inconsistencies in AFDC and food stamp policies that promulgate errors is unreasonable. So is demanding error rate reductions while failing to provide adequate funding for more powerful and more reliable computer systems. It's also unreasonable to expect error-free implementations of policy changes when short notices require crash implementation on the part of the State. In fact, reasonableness and fair play don't seem to have much of a role in the current quality control system which penalizes States for errors caused entirely by client mistakes and intentional misrepresentation.

Finally, we believe that we do need the Food Stamp Program. It is a vital component of our welfare system, and it certainly should be reauthorized. It would be nice, however, if it were improved and not merely extended.

I thank you for giving me this opportunity to speak with you and would be happy to respond to any questions.

The final thing I may note for you is that, because of the farm crisis we are having in Iowa, we did do a special brochure for the farmers and the Food Stamp Program. That has just now been circulated around the State.

[The brochure follows:]

Food Stamps for Farmers and Self-Employed Iowans

Food Stamps for Farmers and Self-Employed Iowans

The Food Stamp Program is a state-administered federal program designed to help low-income households obtain the food necessary for sound nutrition and well-balanced meals. Food stamps can help stretch a family's food budget when it's strapped for cash.

Food stamps can be spent like cash in most grocery stores. They can be used to purchase food or plants and seeds that grow food for your household to eat. They cannot be used for non-food items such as paper products or household and personal hygiene supplies. Nor can they be used for alcoholic beverages, tobacco products, vitamins and medicines, pet foods, foods eaten in the store, or hot, ready to eat foods such as barbecued chicken.

Eligibility requirements must be met to qualify for food stamps. They're based on family size and deal primarily with income and available liquid resources of the family. The amount of food stamps a household receives depends upon household size and available income. The brochure "Facts About the Food Stamp Program" contains more information. It's available from county offices of the Iowa Department of Human Services.

This pamphlet emphasizes specific aspects of the Food Stamp Program that apply to farmers and other self-employed individuals, including:

- determining farm income
- exclusion of loans from income
- definition of resources and allowable exclusions
- averaging monthly income to determine eligibility
- bankruptcy and eligibility
- uneven pro-ration of monthly income to vary food stamp allocations.

Applications for food stamps are made at the county human services office by filling out an application form and completing an interview with a caseworker. It may be most convenient to call the office and arrange an appointment in advance. When you do, the caseworker will tell you what records such as recent tax returns, pay check stubs, or bank books you'll need to complete your application.

Meeting Food Stamp Income Guidelines

To receive food stamps, the combined monthly incomes of all members of the household must fall below established maximums for gross monthly income and net monthly income based on the household's size.

Households which include self-employed workers must compute their average monthly income based on a full year's earnings to determine eligibility. Self-employment earnings which the Internal Revenue Service treats as income for tax purposes are considered income in determining food stamp eligibility.

Self-employment income for farmers includes, but is not limited to, income derived from:

- sale of crops and livestock
- price support of subsidy programs
- services provided
- 100 percent of capital gains.

Loans, except educational loans for students, are not considered income.

Many costs of producing income are deducted from gross income before determining eligibility. Generally, any expense which the Internal Revenue Service allows for federal income tax purposes is allowed to offset income in the Food Stamp Program. In addition to materials, supplies and services, legitimate costs include taxes and insurance on business property and interest paid on business expenses.

Some business expenses that are not allowable deductions under the Food Stamp Program include:

- depreciation
- the principal portion of loan payments for purchasing real estate, machinery, equipment or other durable goods
- net losses from previous periods
- federal, state and local income taxes
- contributions to a retirement fund.

Computing average monthly income from self-employment to determine food stamp eligibility is most easily and accurately done using the most recent year's tax records.

1. Total the gross self-employment income.
    - include 100 percent of capital gains
2. Subtract allowable costs of producing income.
    - do not subtract depreciation
3. Divide the result by 12.
4. Compare to maximum allowable gross income for households of the same size.

A household which includes a blind, disabled, or elderly member is exempt from the gross income test. It only needs to meet the net income test. All others must be below both the gross and the net income maximums.

Net monthly income is what's left of a household's gross monthly income after allowable expenses are deducted. The types of expenses considered include rent or mortgage payments, utilities, child care expenses and others. Allowable amounts vary depending upon household size, location, and circumstances. Food stamp caseworkers in local human services offices have more detailed information.

Meeting Food Stamp Resource Guidelines

Although there are maximum resource limitations, households are not expected to sell all they own and use up the income before receiving food stamps.

Many types of business and personal property are not treated as resources in determining food stamp eligibility. Among the excluded items are:

- your home and adjacent property
- clothing and personal belongings
- household goods
- one car or other motor vehicle whose fair market value does not exceed $4,500
- cash value of life insurance policies
- burial plots for family members.

The most important exception from household resources for farmers and other self-employed workers is property and supplies necessary to continue self-employment. This includes, but is not limited to:

- tools and machinery
- farm equipment and work vehicles
- necessary spare parts
- seeds for planting
- livestock feed
- rental property which produces income consistent with fair market value
- lines of credit which may be drawn up but have not yet been used.
- operating funds equal to a year's net income.

Any asset which has been frozen as a result of a bank failure or FDIC takeover is not considered a resource during the time it's frozen. The equity value of grain being held for higher prices may be counted as a resource.

After excluding allowable property, a household may have no more than $1,500 worth of resources if it's to be eligible for food stamps. An exception, allowing up to $3,000 worth of resources, is made for households with two or more members when at least one of them is over 60 years of age.

Corporations and Food Stamp Eligibility

Members of corporations, including farming corporations, who apply for food stamps are not allowed to exempt property essential to self-employment from their resources. The equity value of such property must be counted as a resource.

The household's appropriate share of the equity value of the corporation's total assets are also counted as a resource.

Bankruptcy Filings Also Affect Eligibility

If bankruptcy is filed under Chapter 7, the household is usually no longer considered to be engaged in a self-employed enterprise. Consequently, the resource exemption for property essential to self-employment would no longer be granted. However, any assets under the jurisdiction of a trustee would not be considered available to the household nor count as resources.

If bankruptcy and reorganization are filed under Chapter 11 provisions, self-employment considerations still apply. Anticipated income based on the most recent year's tax return and the debt reorganization plan will usually be used to determine food stamp eligibility.

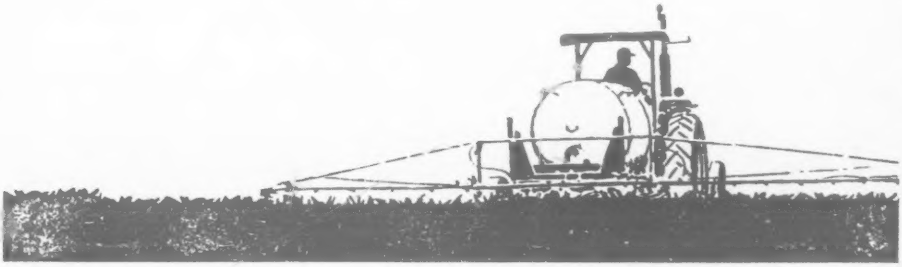
Determining Your Monthly Food Stamp Allotment

The amount of food stamps a household receives is dependent upon its size and monthly income level. Not all eligible households receive the same monthly allotment of food stamps.

Self-employment annual income must be divided evenly by 12 to determine eligibility. However, if a household is eligible and has an uneven cash flow resulting from its self-employment, it has the option of varying the amount of food stamps it receives from month to month. This is done by "redistributing" or unevenly pro-rating monthly income throughout the year.

By assigning a relatively high income, although less than the allowable maximum, to some months and relatively low income to other months, the amount of food stamps received each month could range from the minimum allotment up to the maximum for that household size. The total number of food stamps received during the course of the year is unlikely to vary significantly, but planning the monthly variations to complement anticipated cash flows can help the household even out monthly fluctuations in its food budget.

For more information contact your county office of the Iowa Department of Human Services.



Iowa
Department
of
Human Services

No person shall be excluded from employment, services, or benefits by the Department of Human Services on the basis of race, color, creed, national origin, sex, age, religious or political affiliation, or physical or mental disability.

Mr. PANETTA. Thank you very much, Ms. Scott. I appreciate that. Mr. Richman.

STATEMENT OF STEPHEN L. RICHMAN, ASSISTANT CHIEF, SOCIAL DEVELOPMENT PROGRAMS, NEW YORK STATE DIVISION OF BUDGET, AND CHAIRMAN, COMMITTEE ON EDUCATION AND HUMAN RESOURCES, NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

Mr. RICHMAN. Good afternoon.

Mr. Chairman, members of the subcommittee, I am Stephen Richman, chairman of the Education and Human Resources Committee of the National Association of State Budget Officers, NASBO.

I want to thank you, on behalf of our association, for providing this opportunity to contribute to your deliberations. My comments today will emphasize the following objectives:

Safeguarding the right of all people to adequate nutritious food; assuring continued full Federal financial participation; and maintaining program integrity, and preserving administrative equities.

NASBO recognizes that the growth of Federal spending must be curtailed if the deficit is to be reduced. However, deficit reduction should not be an excuse for the Federal Government to abandon its historical responsibility for maintaining essential income support services for the needy. Accordingly, NASBO strongly supports full funding for needs-tested entitlement programs including food stamps.

The administration contends that its proposed reform efforts will increase program integrity and decrease fraud and errors. However, its proposals will create obstacles to program participation and thereby undermine the program's basic objective—to alleviate hunger and prevent malnutrition.

In addition, further human services program reductions are likely to result from imposed fiscal sanctions upon States based upon arbitrary quality control error rate standards. These reductions would occur at the same time that effective State management is jeopardized through a proposed cap on administrative costs.

For most States the 1984 fiscal year ended with a moderate improvement in State finances. However, this improvement follows 2 years of extensive budget cutting, revenue raising, deferred expenditures, and other austerity measures adopted in response to the 1982–83 recession. In fact, during the 1982–83 period, 44 States increased taxes and 43 States decreased their budgets. While all of these austerity measures were necessary to enable States to achieve a constitutionally required budget balance, it should be noted that most of these actions, provided nonrecurring relief.

Although the States' yearend balance of $6.3 billion in 1984, projected to decrease to $5.3 billion in 1985, represents a welcome increase over the historically low $2 billion 1983 level, it is still only about half of the general fund balances held prior to the recession.

While the economic recovery has enabled many States to improve their financial condition, pressure to restore budget cuts, fund selected program initiatives, and repeal recent tax increases will test the ability of the States to maintain reasonable yearend balances as a buffer against future economic uncertainty.

Therefore, any further shift of responsibilities for entitlement programs from the Federal to State governments, whether in the form of caps, sanctions, or benefit reductions, will likely result in reduced services to the poor.

Within this framework, I would now like to highlight some specific concerns. First is with the quality control process as it operates not only in food stamps, but in all three income support programs.

Fundamental reform of quality control must be enacted quickly, hopefully in this session of the Congress. Initially, quality control was a management tool designed to lower the rate of incorrect payments. It has now evolved into vehicle to reduce the Federal matching share by fiscally sanctioning States failing to meet unreasonable Federal error rate standards.

Mr. Chairman, I can tell you that the Federal tolerance levels are generally unobtainable and the quality control process is flawed. Only one State has been able to meet and maintain the 3-percent AFDC target for 2 years in a row.

Moreover, even though there is no empirical data to support the contention that every State should be able to achieve the same error rate, current quality control policies fail to take into account the differences among the States, including demographic variances, program complexities, size of caseload, and scope of coverage.

Counting technical errors and client-caused errors which do not generally result in erroneous payments are other examples of flaws in the system. Because client-caused errors are counted, States are being held fiscally liable for errors which are beyond the control of even the most responsible administrative agency.

Moreover, the Federal Government does not make final error rate results available on a timely basis. They are received at minimum of 2 years after the audits are performed, clearly too late for effective use.

It is ironic that Federal agencies are planning to finally collect sanctions at a time when State error rates are at an all-time low, having been reduced by more than one-half over the past 10 years. This progress has been made despite continuously changing Federal program requirements which contribute heavily to errors.

The Food Stamp Program, for example, has been significantly amended at least six times since 1977. Not surprisingly, States have been most effective at reducing their error rates during periods of minimal change. In fact, error rates have decreased 20 percent since 1981, a period in which fewer program changes have occurred.

We suggest that waivers of sanctions be granted during periods of program change to accommodate necessary initial implementation adjustments.

The magnitude of potential sanctions is alarming. The administration's 1986 budget assumes a food stamp funding reduction of $140 million due to the imposition of sanctions for all prior Federal fiscal years. Prospectively on an annual basis, sanctions could approximately double if even more stringent quality control measures are instituted, such as levying sanctions against program costs, as has been proposed. If sanctions against program costs are levied, they will severely diminish the States capacity to effectively administer and maintain existing levels of human service programs.

Furthermore, when you consider the size of estimated sanctions in all income support programs, which could approach $1.5 billion by 1990, it is clear that the current quality control, as currently defined, is little more than a means for significantly reducing Federal support for needs-tested poverty programs.

Such a dramatic shift of funding responsibility threatens to undermine the State-Federal partnership and jeopardizes the very entitlement nature of these programs.

We would hope that during this session of Congress reform of the quality control process is adopted, so that States are not subject to arbitrary fiscal sanctions. Such a revamped system should include consistency among the three income support programs, fiscal incentives where appropriate, improved operations to reduce inefficiencies, a system for producing error rates that is methodological sound, and reasonable performance standards based on demonstrated achievement, demographics, and program characteristics.

Mr. Chairman, I have with me a position paper on quality control that NASBO has developed which addresses these issues in more detail. I would appreciate it if that paper could be entered into the subcommittee's record.

Mr. PANETTA. Without objection, it will be put into the record with your statement.

Mr. RICHMAN. Thank you.

The second concern relates to our strong opposition to any attempt to fund the Food Stamp Program as part of a block grant. By blocking nutrition assistance programs, including food stamps, entitlement status is threatened and States may be forced to discontinue or cap services of one program to maintain another. It would result in nonuniform program standards nationwide, undermining the very integrity of the program.

States would be forced into the position of either providing State supplementation or diminishing services for recipients. As few States can afford to establish a new supplement program, the quality and availability of services would surely be reduced.

The unequal distribution of poverty and income among the States make this continued Federal role vital to the preservation of the social safety net.

The third area of concern is the administration's proposal to finance food stamp administrative costs by limiting State's funding in 1986 to the 1985 level, and by tying future increases to the GNP deflator. We strongly oppose imposition of this cap as it would not accommodate normal program growth and will effectively shift a disproportionate share of the administrative costs for this Federal program to the States, who in turn would be forced, as funding stagnates and costs rise, to reduce their capacity to deliver quality services to recipients.

In addition, a fixed-cost administrative grant is inconsistent with current Federal requirements to achieve lower error rates in the Food Stamp Program. Reductions in errors cannot be achieved without additional investments in program administration.

Tying costs for a public assistance program to the GNP deflator is also illogical as there would be no assurance that program funding would increase during economic downturns when more people are in need of services. Such a change would be especially devastating to States where local economies are affected by cyclical fluctuations that increase recipients and, in turn, administrative costs.

Finally, the cap would also eliminate incentive funding for computerization, claims collecting, and other measures aimed at program improvement which often require an initial investment prior to realizing any savings.

In the area of work requirements, we are against instituting mandatory workfare. Current program rules already require all able-bodied recipients to register for available work. Workfare is an expensive, makework program which does not enhance the recipient's ability to gain permanent employment, but rather is a disguised tactic to discourage program participation to justify decreasing total expenditures.

The workfare target population typically experiences frequent fluctuations in income and grant levels that would create periods of varying workfare eligibility and ineligibility. For this reason, it would also not only be extremely difficult to administer a workfare program, but would also be highly cost ineffective.

Monthly reporting and retrospective budgeting should be a State option. Cost/benefit analysis shows that especially in States with large, complex programs, monthly reporting and retrospective budgeting is not producing a savings and is costly to State administering agencies.

As you are aware, finding affordable shelter is becoming increasingly difficult for low-income persons. Recipients who receive shelter and energy cost assistance are penalized when such assistance is counted as food stamp income and therefore decreases their food stamp benefits. We urge you to rectify this situation by exempting any increases in shelter or energy assistance from consideration as food stamp income, decoupling the excess shelter and child care deduction and setting these deductions at adequate levels such as proposed in H.R. 1844, that will allow recipients to live in decent housing while seeking permanent employment.

In addition, we encourage the subcommittee to broaden exclusions under vendor restricted payments to more adequately represent actual disposable income available for food purchases. NASBO applauds this subcommittee's efforts in this area, as reflected in H.R. 5151, which passed the House last year.

Food stamp programs should also be more compatible with the AFDC and SSI programs. The eligibility determination process for all three programs requires that eligibility workers separate income and resource tests for each applicant. This is duplicative and administratively burdensome. By making eligibility rules more compatible, program efficiency and effectiveness will be increased.

Program income limits, the thrifty food plan, and currently indexed deductions should not be frozen at present levels. As food, shelter, and dependent care costs continue to rise, so must deduction limits and benefit levels to accurately reflect disposable income.

Presently, many homeless persons are excluded from participation in the Food Stamp Program. While some States are able to assist the street homeless, those persons residing in shelters are barred from the program because they are considered institutional residents.

States are incurring significant costs for feeding these shelter residents. We propose that allowances be made similar to those enacted for battered women's shelter residents to permit these destitute people to participate and strengthen the State-Federal partnership in alleviating the homeless problem.

Mr. Chairman, we encourage this subcommittee to press for a reauthorization bill that will incorporate fair and equitable administrative standards and preserve benefits to the needy.

I know you agree that we should not shortchange the Food Stamp Program, our most significant weapon in the war against hunger and malnutrition; nor can the Federal Government wash its hands of the business of feeding the poor by shifting financial responsibility to the States under the guise of providing greater administrative flexibility or by using such backdoor federalism tactics as reducing the Federal match through the imposition of unreasonable sanctions.

The States are not in a position to offset Federal reductions. While we agree that containing the growth of Federal expenditures is essential, full Federal funding for means-tested entitlement programs must continue. Hunger is a national problem and must be dealt with uniformly on a national basis.

[The prepared statement of Mr. Richman appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you, Mr. Richman.

Our next witness is Mr. Dennis Hart, Department of Social Welfare, Sacramento.

It is nice to have somebody from California to testify.

STATEMENT OF DENNIS B. HART, DIRECTOR, DEPARTMENT OF SOCIAL WELFARE, SACRAMENTO COUNTY, CA, AND VICE CHAIRMAN, INCOME MAINTENANCE SUBCOMMITTEE, NATIONAL ASSOCIATION OF COUNTIES

Mr. **Hart**. Thank you very much. It is nice to be here.

Mr. Chairman, members of the subcommittee, I am Dennis Hart, director of the Department of Social Welfare, Sacramento County, CA.

I am also here testifying on behalf of the National Association of Counties. We also thank you for this opportunity to testify.

I notice that some of my testimony can be interchangeable with some of the other panel members, so I will try simply just to emphasize some of those points and not be too redundant.

I guess superimposed over all of this discussion is the Federal budget policies for 1986. I would like to just briefly mention NACO's policy position on those proposals. Of course, all of my statements, I think the underlying basic philosophy is that county government is a partner with the Federal Government in delivering services to the Nation's needy.

As you know, NACO has been an active participant in discussions to reduce the budget deficit. As an organization representing elected and appointed officials, I think NACO has a good feel for the kinds of pressures that officials receive to operate tight budgets and also to make sure the services are delivered in an efficient manner.

Certainly as a welfare director administering the Food Stamp Program as just one program, I am keenly aware of the pressures to operate a tight budget and all of the constraints that are there to mitigate against achieving that particular goal and maintaining it.

Since the late 1970's, the National Association of Counties has supported certain cuts in some domestic assistance programs. Since 1981 alone we have accepted over $40 billion in domestic cuts.

In the continuing deficit reduction, however, we do see the need to share our responsibility for reaching some of those deficit reduction goals, and that is why we are supporting a Federal freeze across the board. The freeze amounts to about $3 billion in cuts, in real dollars, for States and local govenments. However, at the same time we want to point out that this burden should be equitable and we should not subject the poor, the sick, or the low-income elderly to further loss of benefits. That is why our position clearly states that means-tested entitlement should be exempt from the freeze.

An across-the-board freeze exempting means-tested programs will continue the intergovernmental partnership that I have described and will help us work together not only in reducing the deficit, but to make sure that we are meeting the critical needs of some of our disadvantaged.

Regarding the Food Stamp Program, the National Association of Counties is strongly supporting the reauthorizing of the Food Stamp Act. While we continue to support the development of a comprehensive, national income maintenance system that will not only provide meaningful work programs for those who are able to work, but will also provide a uniform income maintenance system for those who are unable to work, we realize that until you have that type of system in place it is important that we retain the current Food Stamp Program and continue to work on its improvements until a national policy can be implemented.

To further illustrate the partnership I described, counties in 14 States either administer and/or pay for a portion of the administrative costs of food stamps. In my State of California counties pay 25 percent of the cost of administering the program. Last year this amounted to over $140 million.

Because of this involvement, NACO has made both error rates and capping of the administrative block grant proposals among our top priorities this year.

Chairman Panetta, I would like to say, first of all, that NACO did appreciate your letter last year pledging your support for a thorough examination of the error rate problem during this year's reauthorization hearings.

As indicated just a few minutes ago, NACO also believes that the error rate sanctions as they are currently administered undercut the current Federal, State, and county partnerships, basically by imposing fiscal penalties and shifting costs and the burden of the administrative partnership directly to the counties and to the States.

We already have a major financial stake in administering these programs. As pointed out, we do pay a share of their cost. I believe that through our actions we are committed to reducing errors. If you look at the past 10 years, I think we have made great strides in reducing the error rate. It has gone from 16 percent to 8.2 percent. Yet, despite this improvement, we are currently being penalized for errors in excess of 5 percent.

We are also opposed to the dollar-for-dollar penalty on errors in excess of 5 percent as proposed by the President's Task Force on Food Assistance and as contained in last year's bill, H.R. 5151.

This penalty system could double the total sanctions and issuance errors shifting $100 million in costs in the fiscal 1987 collections.

We will also, as you might expect, continue to oppose the 3-percent error rate provision in the bills introduced by Senators Helms and McClure. I think that proposal is another example of mandating an arbitrary performance standard as a means of shifting costs.

I might point out that in Sacramento County we have been able to operate the Food Stamp Program at around the 5-percent error rate schedule for the past year and a half, and we are under 2 percent in AFDC, simply because I am willing to use a lot of my administrative resources to accomplish that, but we still believe that the current methodology for the quality control system is without equity and without fairness.

NACO certainly calls for a change in the quality control system, and we would like to see a replacement of the negative penalty sanctions with something that would offer a positive incentive for improvement. That is why we really support the type of bill that Representative Matsui introduced, H.R. 1279, which I think does offer you some equity without losing accountability. It would set a national error rate standard and, as pointed out in earlier testimony, it does make allowance for various program factors and demographics, such as population density, earned income cases, other factors that should be taken into consideration when you are trying to measures a State's performance against another State's performance.

Also an improved quality control program would administer timely findings so that States and local governments could take appropriate and immediate action to correct those deficiencies.

I think also quality control should take into account the number of times that administrators must make adjustments in the program. In 1983 alone there were 12 different sets of regulatory changes that had to be put into place, and certainly that has a bearing on your quality control effort.

As pointed out, I think that you also tie in this argument with the administration's proposal to cap or block grant the administration moneys. Again, I think it is a catch-22 situation because, on one hand, you are told to try to meet unrealistic quality control standards and at the same time, if you are trying to improve your performance, you do not have the administrative funds to put into those resources. So your error rates then increase and you end up losing more money, so that it becomes a self-defeating cycle.

Freezing administrative costs I know in Sacramento County would certainly mean that I would not put the type of resources into the training of my staff and the corrective action process that we now have in place. I would not be able to afford to do that.

I think, in conclusion, I would just like to briefly mention on the emergency food and shelter programs we are not saying that the Food Stamp Program is a panacea to our problems of hunger. Last year we held hearings on hunger in Sacramento County and we found that it is still widespread; it is not abated. We find that a lot of welfare families cannot buy food at the end of the month, either because of family crisis or unanticipated expenditures. They need to go to the food lines. They do try to get additional benefits.

We also see the increased numbers of homelessness in Sacramento County has also relied heavily upon food stamps, but without FEMA and without the commodities programs, many people would have gone without meals.

Last year over 250,000 meals were served in Sacramento County. That was a 2½ times increase over the prior year. Again, it was very important to have the Federal commitment to augment some of the services that are already being provided at the local level.

As a matter of interest, our food stamp caseload has dropped by 4,000 households in the past 2 years. This certainly does not reflect the need or what we heard at the hearings. It simply reflects the regulatory restrictions that have removed people's eligibility because at the same time we were dropping people off the food stamp caseloads, the food kitchens and private feeding sites were having their counts tripled and quadrupled in some cases in Sacramento County.

NACO is developing a comprehensive policy statement on homelessness, and this statement, a draft of it, has been sent to the subcommittee staff during the past week.

As the past president of the National County Human Services Administrators [NACHSA] I do want you to know that county administrators are continuing to grapple with this problem of homelessness. We are seeing more county resources diverted to dealing with this aid.

I think in the statement that I provided you we show a quick formula, just using a very conservative formula developed by HUD, which indicates that are about 250,000 homeless at this time. Divide that by the number of shelters that are available right now and you find the Federal Government in the past 2 years has spent about $1.15 per homeless individual. We certainly think that at least that type of commitment should be maintained.

I have provided some other position papers from the National Association of Counties to my statement.

I would be happy to answer any questions that you may have.

[The prepared statement of Mr. Hart appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much, all of you, for the testimony you have provided. Again, thank you for coming here to Washington to give us your views.

Ms. Scott, you mentioned there are currently some barriers to farmers, participation of farm families in the Food Stamp Program.

Could you specifically indicate what those barriers are at the present time?

Ms. SCOTT. It has been an interesting experience because, even though we are a farm State, when the farm crisis happened we found that we did not see the public assistance programs as serving that population group, and in fact they were not.

So I would say the barriers are attitudes. Farmers themselves do not see welfare as a program for which they are entitled or which they should go after.

Tied with that is public information, just making them know what the program eligibility requirements are. With that effort—and we have made a concentrated effort to publicize the program—we have had groups of farmers come into the office, and large numbers of them are in fact ineligible.

What we have found, though, when they are not eligible, it is the depreciation that is generally the cause of their ineligibility. Briefly explained, apparently—and I don't know the process in detail—we look at your last year's income tax return to determine income. Depreciation is allowed for IRS purposes, but we add that back in in consideration of income for the Food Stamp Program, and that generally is the item that takes them over, if any will.

Mr. PANETTA. Over the past couple of months, what are you seeing in terms of farm families applying for food stamp relief?

Ms. SCOTT. In the talk that I gave I mentioned northeast Iowa. Prior to last December, they were on an average having 12 farm families come in and apply for food stamps a month. As of December and since then, they are having about 363. That is just in about an eight-county area. It is significantly increasing across the State.

Mr. PANETTA. Mr. Richman and Mr. Hart, I want you to respond to what I think would be an argument that would be presented if we were to modify the error rate sanctions or eliminate them. The argument would be that, as a result of error rate sanctions having been in place, the States have, in fact, responded by reducing their error rates. If you either change or reduce that requirement, then the error rates are likely to go up.

Mr. RICHMAN. I think that in the years in which the States have responded by reducing their error rates certainly no sanctions were collected. No sanctions have been collected up to this point.

The incentive is there—in the Food Stamp Program, where we pay 50 percent of the administrative costs, and the AFDC and Medicaid Programs where we also participate in program costs. I think that the incentive of State administrators to run efficient programs is certainly there. The necessity for sanctions or the need to impose sanctions in order to achieve error rate reductions I do not believe is compelling.

Mr. HART. I think my remarks would be similar. While the Federal error-rate process might be seen as artificial—and I only say that because it is such an extremely small sample that is extrapolated and is a regressive formula, so that no one has any confidence that it is really measuring. You feel as though you are in the luck of the draw in terms of whether you have an established good percentage or a poor percentage.

The point is, in terms of really responding directly to your question, the idea of performance standards I think has been translated down to the lowest line level, because now in our standard performance evaluations one of the factors that is measured for an eligibility worker is what was the error rate of your particular caseload. We are not using a small Federal sample. We are doing 100 percent review to say, "How are you performing? That is going to be on your record. That is going to affect your promotions, and that is going to affect merit increases."

As I say, I think counties are moving very heavily into this regardless of whether we end up with the current form of methodology that we have now or something like Congressman Matsui is suggesting.

Mr. PANETTA. If we took the Matsui definition of error rates as an established standard pursuant to his legislation in the food stamp area, are you saying, then, that we could retain the 5 percent sanction rule?

Mr. HART. Sure; I think that is a possibility, because what you would find is that, as long as there is some kind of fairness, as long as someone says, "Look, you are in a large, urban city. We know you have a lot of earned income cases, so we are going to apply this particular formula." If you still have poor performance, I think that is acceptable and you deal with it, but now if it is across the board, and you are being compared with Alaska or something with a completely different situation, it is not acceptable. I think that would be the first step to saying, yes, 5 percent is a tolerable figure.

Mr. RICHMAN. I think the Matsui bill starts at 4 percent and builds up from there based upon varying factors. The Food Stamp Program I think historically has proven to be a somewhat more complex program. Witness the 5-percent error rate tolerance level that we now have in place versus 3 percent under the AFDC Program.

I certainly would take 5 percent over 3 percent, but I think that there are other factors that you need to take into consideration which might weigh to increase it slightly above 5 percent, similar to the Matsui approach—in other words, having a base and then building up from there.

Mr. PANETTA. In other words, with those changes in the definition, you would still support a sanction program of some kind?

Mr. RICHMAN. Yes; NASBO is not opposed to quality control and is not opposed to the concept of sanctions. What we are opposed to is the process the way it currently is administered. We think it is inequitable.

Mr. PANETTA. Have you looked at the Matsui bill?

Mr. RICHMAN. Yes; I have.

Mr. PANETTA. Do you support that kind of approach in the food stamp area?

Mr. RICHMAN. Yes, we would.

Mr. PANETTA. Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Richman, I have several questions I would like to ask you, and then, Mr. Chairman, I would like to ask unanimous consent to submit in writing questions to Ms. Scott and Mr. Hart. I have an appointment at 2:30 p.m. that I must keep and I am not going to be able to remain here to ask questions. If I could submit them in writing, I would appreciate that.

Mr. **Panetta**. Without objection, that will be done.

[Questions and answers follow:]

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April 29, 1985

The Honorable Bill Emerson
Ranking Minority Member
U.S. House of Representatives
Subcommittee on Domestic Marketing, Consumer Relations,
and Nutrition
Room 1301, Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Emerson:

This letter will respond to questions raised in your April 18, 1985 correspondence.

1. QUESTION; Do you run both the AFDC and Food Stamp programs and, if so, how do you go about reconciling program differences? Would you comment on how best to deliver benefits to needy people?

   ANSWER: In Sacramento County we administer both the AFDC and Food Stamp programs. We manage to reconcile program differences in the following ways:

   1. The Public Assistance Worker handles both programs;
   2. Supervisor does Monthly Caseload Reviews;
   3. We evaluate training needs constantly;
   4. There are extensive control measures; and
   5. We contact our the State supervising agency (California Department of Social Services) where differences make it impossible to administer the programs in a timely and accurate manner.

We feel we could better deliver benefits to needy people and save administrative costs in any of the following ways:

1. By aligning regulations in the two programs.

2. By having a common intake and renewal form for the public assistance household; or

3. By way of cashing out the Food Stamp Benefits for the public assistance household.

2. QUESTION: Does Iowa run any employment and training programs? Can you explain how they operate and whether the Job Training and Placement Act plays any part in Iowa's or California's program?

Mr. Bill Emerson

ANSWER: In Sacramento County, there is a joint contract between SETA (Sacramento Employment and Training Agency) and the Department of Labor to operate and administer the JTPA program. The program indirectly affects our AFDC grants. This is a perfect example of the program differences.

1. AFDC counts any JTPA payment to an adult as earned income; and

2. The payment is exempt income for the Food Stamp program.

3. QUESTION: There are over 30 states that have some sort of work program as part of the AFDC program and yet only 15 jurisdictions operate a work program for the food stamp program. Why is that? I have heard some say that it is because half of the AFDC payment is state money and none of food stamp payment is. Would you comment.

ANSWER: In Sacramento County, we participate in the Work Incentive (WIN) program, a registration program for AFDC recipients and the California Employment Development Department (EDD) registration program for Non-Assistance Food Stamp recipients. The work program I believe you are referring to is the optional Food Stamp Workfare program. The main reason why so few counties and states are participating is the funding. At this time, there is only 50% funding by the federal government for administrative costs. The state provides no funding in California so most counties are unable to administer the program because of this cost. Also, workfare assignments may not result in displacement of budgeted staff or filling a vacant position at a worksite, so this represents no savings for any public agency or private nonprofit agency. If there were more incentives, I believe more counties and states would participate.

4. QUESTION: The latest quality control data indicates that over 8% of the food stamp payments go out to those who are either ineligible or receive too many benefits - about $1 billion per year. Do you believe you can lower the error rate to 5%? How do you achieve that error rate?

ANSWER: Sacramento County's latest error rate was 5.1%. In order to achieve this rate it is necessary to do the following:

1. Constantly evaluate training needs, tools and equipment for Eligibility Workers;

2. Establish extensive control measures;

3. Conduct monthly Supervisory reviews; and

4. Have ongoing Corrective Action Committees.

This activity could not be maintained with any cap being placed on future administrative costs.

Mr. Bill Emerson

5. QUESTION: You said that over the past few years food stamps have been terminated for some people because of rule changes. What rule changes are you talking about? No changes have been made in the past two years.

ANSWER: Even though federal regulations have not changed, state and county implementation is normally delayed due to required changes in state laws. The following examples are changes that California counties have experienced in the last 2 years which have reduced our caseloads:

1. Implementation of 1980 amendments effective 6-1-83. These regulations redefined household composition and eliminated separate household status for natural parents and children. Social Security numbers for all household members became mandatory as well.

2. On 7-1-83, we revised Expedited Services regulations to include income and resource amounts and verification of identification which limited eligibility for this service. In addition, we began applying both the gross and net income limits to all households not including an elderly or disabled member.

3. On 10-1-83, we implemented regulations which broaden the definition of parent/child to include step and adopted parents/children, eliminated separate household status for siblings, precluded program eligibility for applicants with questionable citizenship until proof is received, and we began to include IRA and accessible Koegh Plans as resources.

4. On 1-1-84, we implemented the Monthly Reporting/Retrospective Budgeting system.

5. On 4-1-84, we implemented the new Fraud Disqualfication and Collection regulations.

All of these changes have significantly reduced our Food Stamp caseloads.

I hope I have answered your questions sufficiently. If I can be of further assistance, please call me at (916) 440-7111.

Sincerely,

Dennis B. Hart

DENNIS B. HART
Director

DBH:d

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Iowa
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of
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HOOVER BUILDING DES MOINES, IOWA 50319

TERRY E. BRANSTAD
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Commissioner

May 15, 1985

Bill Emerson, Ranking Minority Member
U.S. House of Representatives
Committee on Agriculture
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Room 1301, Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Emerson:

This is in response to your letter of April 18, 1985 in which you asked for additional information relevant to my presentation before the Subcommittee. I apologize for the delay in responding.

1. Yes, I'm responsible for policy development in both the AFDC and Food Stamp programs. Reconciliation of program differences usually can't be accomplished at the State level due to, in large part, the lack of flexibility in the food stamp regulations, and to some extent the AFDC regulations.

   I think the subject of how best to deliver benefits to needy people should be addressed at the federal level through welfare reform.

2. Iowa administers three employment and training programs:

   a. Individual Education and Training Plan program (IETP) - The IETP program which is available statewide provides vocational counseling and financial assistance to enable ADC recipients to participate in classroom training programs. Training programs can be approved in any vocational area which has reasonable prospects of employment paying at least minimum wage. Total length of training cannot exceed a maximum of 36 non-consecutive months. Currently, all program applicants and participants are required to apply for and utilize, if eligible, all available educational awards, including low interest student loans not to exceed $800 per academic year, to offset training costs that otherwise would be paid by the IETP program. IETP funds are then used to supplement educational awards. If a client is ineligible for educational awards, IETP provides full

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IOWA COUNCIL ON HUMAN SERVICES

[illegible] [illegible] | Myrna Langerud Lake Mills | Joan Lipsky Cedar Rapids | Dolph Pulliam Des Moines | Lewis Rich Glidden | Madalene Townsend Davenport | J. T. Watson West Des Moines

funding up to the following maximums: Payment of tuition, fees, books and supplies with tuition payment not to exceed the in-state rate charged by a State of Iowa university or area college; child care at the going rate in the community; transportation at $60 per month for full-time students or 24¢ per mile not to exceed $54 per month for part-time students. Participation in IETP is voluntary.

b. Work Incentive Demonstration program (WIN Demo) - Iowa's WIN Demo program, which became operational on September 30, 1983, provides services to ADC recipients in 47 of our 99 counties. The program consists of two models, one which is staffed exclusively by Department of Human Services staff and the other which is jointly staffed by Department of Human Services and Job Service personnel. Both models provide vocational classroom training (utilizing the IETP program as a training component), group job search utilizing a four-week job club model developed by the Iowa Department of Human Services and work experience where clients are assigned to work sites for a maximum of eight hours per day. In addition, the model which is jointly staffed by Human Services and Job Service employees also offers an "individual job search" component where employment related services are tailored to the individual for an additional period of four weeks. The sequence of services begins with group intake/group assessment followed by individual assessment, assignment to either classroom training or job club/individual job search and, for clients who remain unemployed after classroom training/job club/job search activities, assignment to work experience. Work experience participants also engage in job search activities one day per week. Participation in WIN Demo is required unless the client is exempt.

c. Unemployed Parent-Community Work Experience program (UP-CWEP) - The UP-CWEP program is administered by the Iowa Department of Human Services but is operated by and at the discretion of each county board of supervisors; a local county agency may also operate the program if jointly designated by the county board of supervisors and the Department of Human Services. UP-CWEP services are currently available in 47 of Iowa's 99 counties. Primary wage earners in Unemployed Parent-Aid to Dependent Children families are required to participate. Individuals are assigned to work sites where they are required to participate a weekly maximum of 32 hours, four days a week, with hours determined by the amount of ADC assistance received. In addition, participants are required to engage in job search activities one day per week. In counties where both the WIN Demo and UP-CWEP programs operate, unemployed parents are first required to participate in either classroom training activities or job club/individual job search activities of the WIN Demo program. If after participation in WIN Demo the individual remains unemployed, the individual is then assigned to the UP-CWEP program.

The Department of Human Services has been and is currently working closely with the Job Training Partnership Act program (JTPA) to coordinate services and share financial responsibilities for jointly served ADC clients. In addition to the joint sponsoring of classroom training programs for ADC

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Mr. Bill Emerson
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recipients by IETP and JTPA, a JTPA staff person has been assigned to and is located in our Des Moines WIN Demo office on an experimental basis to facilitate and expedite the joint provision of services.

3. Iowa's main reason for not initiating a work program for the food stamp program is not related to the funding source of the program, but rather the limited number of work sites available and staffing limitations.

4. I think it's questionable whether Iowa can lower the error rate to 5%. Two factors beyond the State's control contribute to the potential inability to meet this target:

   a. The State, even with monthly reporting, does not have control over client errors which are used in the calculation of the error rate.

   b. Continual changes at the federal level in recent years have made it difficult for staff to correctly apply policy.

5. I was referring to various provisions of the Omnibus Budget Reconciliation Acts of 1981 and 1982.

Please let me know if you have any questions.

Sincerely,

Sandra Scott, Deputy Commissioner
Director, Division of Social Services

SS/RH/dew

Mr. EMERSON. Mr. Richman, is it your judgment that any Governor would reduce welfare payments over which they have control, and therefore excluding food stamps, in order to repay misspent funds to the Federal Government?

Mr. RICHMAN. I did not catch the last part of your question. I am sorry. Could you repeat it?

Mr. EMERSON. Is it your judgment that any Governor would reduce welfare payments in order to repay misspent funds to the Federal Government?

Mr. RICHMAN. That is entirely possible. I think that is entirely possible. What we are saying is that the fiscal condition of the States would not permit us to replace lost Federal dollars. If we are going to suffer a reduction due to sanctions, we consider that essentially a cost shift. We consider it essentially a change in the matching rate. We cannot absorb that. We are going to have to find reductions elsewhere, and other programs would certainly suffer.

Mr. EMERSON. Food stamp error rates are coming down. The 1981 error rate was in excess of 10 percent. The latest reported error rate is 8.36 percent. Yet, the AFDC error rate is lower yet. Why is that?

Mr. RICHMAN. As I said previously, I think the AFDC Program—I think the Food Stamp Program has proven to be somewhat more complex to deal with, especially if you look at the nonpublic assistance portion of the food stamp population, which in many States is extensive, where people have income fluctuations that vary from month to month; people are on assistance and off assistance. It becomes a much more difficult program to administer. Hence, I think the higher error rates.

Mr. EMERSON. What is your organization's reaction to the proposal to allow a State to run its own nutrition assistance program in which funding is adjusted from year to year to reflect changes in food prices and unemployment rates?

Mr. RICHMAN. If you are referring to the block grant concept, we are opposed to the block grant concept. We do not believe that it is—first of all, we believe that it totally undermines the entitlement nature of the Food Stamp Program. We do not believe it is responsive to economic fluctuations, and we believe that it would cause interstate differences which essentially would undermine the very nature of the Food Stamp Program, which is to establish a national standard.

Mr. EMERSON. Back on the first question I asked you, I am finding it hard to believe that Governors would make welfare recipients pay for the errors of State and local employees.

Mr. RICHMAN. I think that if a reduction is felt in a human services program, be it food stamps or Medicaid or wherever, that Governors and their budget directors are first going to look to the human services area to shoulder some portion, at least, of that reduction.

Mr. EMERSON. I am not sure I think that is responsible, but you have given me your answer.

Mr. RICHMAN. Let me comment again on the error rate program. We do not think that the Current Error Rate Program is responsible. We do not believe it is an adequate measure of our true performance. We believe that if you recalculated State error rates based, for example, on the Matsui formula, you would find that our error rates would be significantly below that which we currently are experiencing.

Again, we do not feel that the error rates are really reflective of State performance.

Mr. **Emerson**. Thank you.

Thank you, Mr. Chairman.

Mr. **Panetta**. Mr. Olin.

Mr. **Olin**. This morning, if you were all here, you heard Mr. Bode of the administration talk about his feeling that the States did not have adequate incentive to run an effective and efficient program, and that it would be better if we went to the block grant approach where they could shape their own programs and then they would be freer to implement ideas and they would be more effective.

I am just wondering whether each of you could comment on what you feel under the present program—not arguing the case of the administration with regard to the block grant, and so on—but under the present program, what incentives do you feel there are for States to operate effectively, lower error rates, and higher delivery efficiency?

Maybe you could each make whatever comments you think are appropriate.

Ms. Scott.

Ms. **Scott**. As a State administrator who has to go to the Iowa Legislature every year for the funding for the various programs in my agency, the better run the program, the more credible is the agency and the easier it is for me to get the funding necessary to continue the programs.

That, I would argue, is the largest incentive that I have as a State administrator—to make sure that only people who are eligible are in fact receiving benefits.

Mr. **Olin**. Having a high error rate is an embarrassment to you and an impediment.

Ms. **Scott**. And it does not help—we do not have a good public image. Those are the kinds of things that get a lot of press.

Mr. **Olin**. Mr. Richman.

Mr. **Richman**. I would echo that certainly. The State participation in the program is certainly incentive enough for us to keep error rates low, but as well the political perceptions I believe are extremely important. The program is administered, after all, at the State level. When fraud or abuse is uncovered in the program, clearly the finger is pointed at the States who are administering the program, and no Governor wants to bear that responsibility.

I think both for fiscal and for political reasons, as well as fiscal reasons from a national perspective—it is taxpayers' dollars; it is dollars of New York residents and Iowa residents and California residents as well—there is sufficient incentive to keep error rates low.

Mr. **Olin**. Mr. Hart.

Mr. **Hart**. That is certainly true. Even on the local level, the board of supervisors does announce at public hearings when we have performed well or if we have performed poorly. It is something that is taken up on their agenda. So it is of local concern.

I think I could only add to that question of what our incentives are—it would be interesting to have the administration take a look at it in terms of what would happen if they truly offered us an incentive rather than a negative sanction, an incentive where we would be able to keep more of the savings or that money would be plowed into an important local program, or whatever. If there was an incentive for good performance, they do not speak to that issue, and I think that is the other side of the coin that has not been tried.

Mr. **Olin.** That was going to be my next question. What do you think would be positive incentives? You are saying, then, that rather than having a punitive incentive, you might respond better, if we are talking about behavior modification here——

Mr. **Hart.** Exactly.

Mr. **Olin.** The administration is very good in this area. They are trying to change the feelings of the world and straightening out Mr. Gorbachev and a few other people in the world by manipulation.

You are pretty strong on the positive incentive. That would take what form? What are some possibilities?

Mr. **Hart.** I mentioned either have a percentage where local government and the States would share in the savings. By reducing theirs, they would share in the returns or have some type of a program that would be designated that would be funded through savings or perhaps more participation in setting up of computerization to improve the program, something that would advance your efforts toward corrective action, so that you are doing something positive, rather than going to court to resolve what the sanctions may be.

Mr. **Olin.** Do the other two of you have any thoughts about better incentives other than that area?

[Mr. Richman and Ms. Scott shake their heads negatively.]

Mr. **Olin.** How do you feel about the Computerization Program that the administration is experimenting with? Does that make sense?

Mr. **Hart.** The online system for food stamps?

Mr. **Olin.** Yes.

Mr. **Hart.** Yes; I think that is the direction to go.

Mr. **Olin.** Thank you very much.

Mr. **Panetta.** Thank you, Mr. Olin.

I would be interested in looking at some of the positive incentives. I agree that the carrot might make more sense, but it is difficult at a time when there is increased scrutiny of these programs to back off totally of a program that has in part used the club as well. I guess what we are trying to do is to see if we can revise that formula in a way that might make better sense in terms of how it applies, which is part of the Matsui approach.

In addition to that, I would be interested in seeing what kind of carrots might be available. I know, for example, in computerization we provide 90 percent funding on AFDC and Medicare. It might make some sense to try to stimulate that kind of approach, based again on progress within communities and States. I don't know.

Anyway, I would like you all to think about that. If you have any additional thoughts, please let me know.

Thank you all very much.

The next panel will consist of David Bradley, who is with the National Community Action Agency Foundation here in Washington, DC, and the Reverend Roger Morin, who is vicar for community affairs, the Archdiocese of New Orleans in Louisiana.

Thank you both for coming. I appreciate your taking the time to come here to the subcommittee hearing. I will be interested in your testimony.

Again, your statements will be made a part of the record, and you can either read or summarize them as you wish.

Mr. Bradley, please proceed.

STATEMENT OF DAVID BRADLEY, LEGISLATIVE REPRESENTATIVE, NATIONAL COMMUNITY ACTION FOUNDATION

Mr. **Bradley**. Good afternoon.

My name is David Bradley, and I am the legislative representative for the National Community Action Foundation, which is the Washington representative of the 900 community action agencies around the country.

I am especially grateful for this opportunity to testify on the Temporary Emergency Food Assistance Program because it is of such critical importance to our agencies and the 26 million low-income persons they serve. We estimate that in at least 40 States, community action agencies [CAP's] are an important element of the food distribution network.

CAP's are particularly suited to a central role in the program because their principal task is to serve as coordinators of public and private resources with those in need. They know who is hungry and they have the capacity to bring together a variety of local services to support emergency food distributions. They coordinate with other agencies and charities and assist the ongoing nutrition program as well.

For example, in one of the most depressed parts of West Virginia, the CAP purchased at low cost, a refrigerated tractor-trailer from a closed coal mining operation, got the truck donated, and coordinates an all-volunteer distribution network of unemployed miners and their families who work from schools and churches.

The Federal funds cover some of the transportation and the distribution site utilities. Twenty-five percent of those costs and all the agency stafftime is paid for with community services block grant funds. In fact, in all the States, distributions rely primarily on volunteer labor, usually by CAP clients themselves.

In California, as the chairman undoubtedly knows, the CAP's serve three-fourths of the State as primary distribution points for an extensive network of food banks operated as nonprofit, volunteer organizations which contribute to cover the unreimbursed costs of storage and transportation.

In most States, however, there are significant costs associated with food handling, storage, and transportation which are not covered by the 5 percent allowed in the program. These expenses are not, strictly speaking, administrative, in that they go far beyond the outreach, certification of eligibility, inventory and accounting required by USDA and the States.

The storage of food and its transportation to accessible distribution centers create the real cost burden in the program. CAP's are able to serve as lynchpins of the food distribution system because they have the community services block grant funds which are sufficiently flexible to be diverted from other program uses and put into these activities. The permanent staff and administrative systems of the CAP's are of course community services block grant funded.

In Missouri, as West Virginia, CSBG funds cover storage of food as well as personnel. In such a wide array of States as Washington, Kansas, Kentucky, Vermont, North Dakota, and New Mexico, CSBG funding has picked up virtually all the personnel and overhead costs of the program in most agencies.

Many agencies report to us that the USDA administrative funds represent one-fifth to one-third of the total expenditures on distribution from local and agency sources. The CSBG funds used for food programs are generally taken away from social service activities which involve intake and referral of clients to local private or public agencies which may be able to provide resources to them. In West Virginia, a food gardening program was terminated to provide this important service.

If the Federal funds were eliminated, agencies would be required to choose whether to sacrifice these critical coordination and advocacy services to administration of the food distribution program. Frankly, some would and some would not, depending on the resource base on local needs.

In California, New York, and Vermont, several rural CAP's have told us they could not continue food distribution but others in Kansas, Missouri, and West Virginia have said they would close other low-income services to pay these distribution costs.

Mr. Chairman, it is important that the members of the subcommittee be aware that the community services block grant funding is an important part of this program, and it is the foundation for these effective distribution networks. It is threatened with extinction by the administration's budget request for fiscal year 1986 and in the White House-Senate compromise budget recently announced. If the proposed termination of the program goes through, the resources for coordinating and managing the delivery of food to those in need will not be available. The overwhelming majority of these networks unquestionably will be shut down.

Some CAP's have already had to give up managing the program because its uncovered costs are simply beyond their resources. Most of our agencies, however, feel that the need for these food supplies is so critical that they will continue their commodities program in spite of the unrealistic levels and cost reimbursement and other shortcomings.

We do have concerns that many States have only sporadic distributions at long intervals, that some States make available unrealistic quantities of perishables all at once, that the salt content of the cheese poses an unacceptable risk to many of the seniors who get the commodities, and that there is virtually no variety in the commodities so that flour, rice, honey, and dried milk which are desperately needed are rarely available. We hope the subcommittee will find a way to correct these defects, but the continuation of the

Emergency Food Assistance Program in some form and the resources to run it are of paramount importance.

It is difficult to convey here in Washington's marble halls the desperate circumstances in which poor American households find themselves. These commodities do far more than stretch the food stamp dollar or enhance a family's subsistence diet, which is perpetually short of dairy protein.

For example, for recently unemployed households, these foods may well be all there is to eat in the 7 to 12 weeks before unemployment benefits are paid. For some Appalachian children the commodities become a lifeline in school vacations, when the school lunch they depend on is not available. Persons who keep a car to commute to their occasional work, are disqualified from food stamps in many States, including West Virginia, and in their periods out of work, commodities may be their only food sources. Similarly, seasonal migrant workers face real starvation in winter without commodities assistance.

The reality of the need and the desperation in poor America is no less devastating than in the past, even if the households in extreme despair are fewer in number. Many, for various reasons, are not able to fit in the so-called safety net programs. A few of the tales our CAP's tell me speak for themselves—the elderly Missourians in their seventies with $350 a month of social security and no food stamps who spend under $150 a month on groceries and depend on commodities for essential added nutrition; the Kentucky woman with two small sons and an unemployed husband who last winter had illegally traded away food stamps to prevent a cutoff of her heat and faced a week with no cash and no food until their next food stamp distribution; the Washington abandoned mother of three who is a full-time nurse's aide, so low-paid that her income falls below poverty level, and includes no medical insurance, who needs dairy products to keep her children reasonably nourished, or her elderly neighbor who wept at a distribution center because she had her first taste of butter in 10 years.

Mr. Chairman, Americans who are standing hours in line with their small children in poor weather are telling us more eloquently than any congressional testimony that critical human needs are being met by the emergency food and that those of us who would ease the burden of poverty must find the way to keep this resource flowing.

This subcommittee's work has made lifesaving help available. We thank you, and we ask you to redouble and reinforce our mutual effect in spite of those who are seeking to undermine the network of private and public assistance efforts which alleviates some of the most tragic consequences of persistent poverty in our Nation.

Thank you.

[The supplemental statement of Mr. Bradley appears at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much.

Father Morin.

STATEMENT OF ROGER P. MORIN, VICAR FOR COMMUNITY AFFAIRS, ARCHDIOCESE OF NEW ORLEANS

Reverend MORIN. Thank you, Mr. Chairman.

Let me say that it is an honor to be here again before this subcommittee.

I was thinking as standing outside before beginning that after this number of years of going back and forth or coming here, I am sure I bring only news of what is already too well known to the subcommittee. But as a volunteer for 15 years, I was thinking that if we could get solutions to the problems, then I would turn my time and energy to my basic work for the church.

It is a privilege to speak for the poor and the hungry people in New Orleans particularly. The city of New Orleans is still ranked among the poorest of American cities. At present, of its total population, 26.7 percent of the people are living in poverty. That represents 147,058 persons.

The most recent information available from R.L. Polk for 1982-83 indicates that in New Orleans there are 55,108 households at or below the poverty level with an average annual income of $3,724.

The unemployment rate in New Orleans at present is more than 11 percent, which is a little bit lower than the rest of the State, which is, of course, presently involved in the problem of the petrochemical industry and the layoffs there.

However, in the city with the 55,000 households we have, those living at poverty, 18,500 of these are female heads of households with children. We see that if we use the low side number of an average household size of three that there are at least 55,000 women and children in poverty in the city.

The State of Louisiana Department of Health and Human Resources says that the current number of individuals receiving aid to families with dependent children is, in fact, currently 60,388 in New Orleans.

What I have pointed out in my written testimony for the record is that with all of the years of the commodities supplemental food program for women, infants, and children and with the years of the WIC Program, nevertheless, when we take those two food assistance programs together, and the State agency says we have 60,000 aid to families with dependent children out there as eligible, we are still only reaching about 30,000 individuals through the Commodities Supplemental Food Program and the WIC Program.

We see and note at the same time that, although there are 147,000 people in New Orleans in those 55,000 households living in poverty, the food stamp enrollment for Orleans Parish, as given to us by the State agency, is 112,694. Again, I find a net loss there among the eligible population of about 34,000 to 35,000 not receiving food stamps.

Yet, we look at the configuration of resources that we have, and you will recall, as you know very well, that New Orleans is also blessed with the commodities supplemental food program for senior citizens, with a current caseload of 8,000 seniors per month. Of course, they do constitute some of the 55,000 poverty-level households.

At the same time, blessed as we are with the Elderly Supplemental Food Program, there are at least 30,000 low-income senior citizens in New Orleans who would be eligible or, if basing it only on those who are receiving supplemental security, on SSI there are 17,000.

Although we have moved the program from 2,000 participants to 8,000, we still are not reaching anywhere near 50 percent of those households with persons over 65 who are living below the poverty level.

The point that I would like to make, at variance again with my statement for the record, is that after all these years, as we add up the programs and the services that we have, we still on a daily basis, through our networks of neighborhood centers, social services, Catholic charities, are still being besieged by people who are hungry and who need food. That is something that is not the same this year as it was last year because of the increases that we have seen.

I turn my remarks now to the Temporary Emergency Food Assistance Program, which has worked very well in New Orleans through the local CAP agency.

However, there is not enough of that food to go around, either. Now that we have completed the surveys and we have found that in Louisiana the distribution of the emergency food assistance is carried out on a quarterly basis—that is, it is distributed every 3 months, and they are able to serve the number of eligible people once every 3 months, but if they were serving them every month, then we would have the problem we had at the outset of the program in terms of the huge numbers of people who turned up and who were turned away empty handed.

As well administered as it is by the State department of education and by the community action agencies and all of our public and private voluntary groups, there is not enough food coming into the State of Louisiana through the Temporary Emergency Food Assistance Program, along with the others, to take care of the need.

What I would like to offer as verification for that—as well administered as all of these programs are, New Orleans has one of the oldest community food banks in the country, formed more than a decade ago, in a public-private partnership with the mayor's office.

Last year—and it is reported in its 1984 report—the community food bank in New Orleans experienced an increase in requests of 53 percent. That is, 33,611 individuals came to branches of the New Orleans community food bank to receive a 3-day supply of emergency food. That number and that growth occurred during a time when Commodities Supplemental Food Program, food stamps, WIC, temporary emergency food assistance—everything that you can list as part of the inventory of food assistance programs had been provided; yet more than 30,000 individuals had to go to the community food bank, which is, of course, a private endeavor and the food is gathered throughout the community.

In the last 2 years the archdiocese established, funded, and purchased a warehouse for a second harvest program in New Orleans as an affiliate of the national network and is presently distributing more than 50,000 pounds of food a month that is received from the private business sector from the food industry.

About 10,000 families are served through emergency food box programs and food pantries. You add those 10,000 to the 33,000 who were served by the community food bank, and, again, all programs being in operation, last year in New Orleans 43,600 people had to go for emergency food.

Having been involved in social service and food distribution programs of every type for all these years, I have yet to see people go out of their way to go to a caseworker or to a neighborhood social service center or to a church door and beg for food if it is not what they need.

It is a sad conclusion——

Mr. PANETTA. Father, I have to go. We have a couple of votes on the floor. There are some questions I would like to ask you both, if you might wait. It should be about 15 to 20 minutes, and then I will be back.

The subcommittee will be in recess for the vote.

[Recess taken.]

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is resuming its hearing on the authorization of the food stamp bill.

Father, I do not know that you had completed your statement. Why don't you go ahead and complete it?

Reverend MORIN. Thank you.

What I was going to say about the Temporary Emergency Food Assistance Program was, in particular, I think that the image of the program has been such that oftentimes comments are made that are very disparaging, but when you look at the process that is actually used in terms of the eligibility requirements for people to receive temporary food assistance, and the fact that the local community action agency has been very diligent in conducting programs for registration prior to distribution, wherein people are certified as eligible according to a set of criteria, they are provided with an identification card that they must present at the time that the emergency food assistance is distributed, I think at least from hearing comments from so many people who have said generically that is a free giveaway of cheese and butter, that the people who are receiving it have been certified; their documentation has been verified; they are then given their identification card, so that it is not a matter of waste or fraud or abuse or that the proper people are not receiving the food assistance.

I believe the mechanisms that have been put into place are more than adequate and that the greatest inadequacy, of course, is in terms of the amount of food that is available for distribution in the area.

Before concluding, I would like to mention that I noticed in Mr. Bode's comments this morning that, as far as the administration is concerned, they are proposing once again that commodities supplemental food programs, at least not any new ones be allowed in areas that are served by the WIC Program. Now we have gone through that battle for at least the last 10 years, when it was first an either/or situation. You know, you either take WIC or you get nothing.

Then afterwards for several years New Orleans had only a commodities supplemental food program because they would not allow WIC to operate within the same geographical area.

When it was finally permitted by the Congress, they found that it actually works very well. In New Orleans we have both commodities supplemental food for women, infants, and children and we have WIC. At the State level, at the office of the department of health and human resources, computerized lists cross-reference the participants each month to preclude the possibility that there would be dual participation. So I do not understand this administration's proposal because I understand, further, that there are other cities in the country that are presently asking for the implementation of a commodities supplemental food program, and that being the case, and it has been proven many times over that the Commodities Supplemental Food Program can operate less expensively than the WIC Program, that if it is a matter of reducing the number of dollars to be spent, that they should be looking at the urban areas where there is the willingness on the part of the public and private sectors to operate a commodities supplemental food program rather than to say that no new commodities supplemental food programs will be established.

The statement I find does not flow logically as it was presented by Mr. Bode. I want to point that out—that from having contact with operators of commodities supplemental food programs around the country, particularly our associates in Detroit, we have all worked very comfortably in providing the option to the people as to whether or not they want to participate in CSFP or WIC. I do not know why the administration is making this proposal now, other than to head off the possibility that there are other cities making inquiry or have been asking to start up commodities supplemental food programs.

[The prepared statement of Reverend Morin appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you, Father.

Let me refer to another quote that was included in the testimony. I would like either Mr. Bradley or Father to comment on this.

We had asked what the effect of eliminating the $50 million in administrative funding for the TEFAP Program would be. I will quote from Mr. Bode's testimony:

"We anticipate that special commodity distribution households will continue next year even without the special funding for State and local TEFAP administrative costs."

The indication this morning is that, either as a result of other existing legislative authority or volunteer efforts, the distribution mechanism would continue.

Is that your sense of what will happen if we eliminate the $50 million.

Reverend MORIN. If I may go first, I would say no. Having given the information about the private sector efforts and the amount of volunteerism that is already involved, actually the administrative expense money on the State level—and in Louisiana the State is paying for 1 month of the storage expense—and then to get the food to the various civil parishes in the State, that is the responsibility, of course, of the CAP agency. However, no administrative expense money is being taken by our church groups or community centers or public or private agencies, but I think there is a point beyond which you cannot go. You can so handicap or debilitate a service that you are going to put it out of business.

The voluntary sector and the private sector have responded so well over the past several years to try to fill the gap, but I think, as with any type of an operation for a service, the provision of a service, you have to have the basic funding in order to put the program in place. Therefore, I do not think that—I would like to believe it, but I don't believe that there would be that number of volunteers coming forth on a regular basis and saying, "We will administer this Emergency Food Assistance Program free of charge."

I think it is, in effect, trying to bring that particular activity to a conclusion.

Mr. Panetta. Mr. Bradley.

Mr. Bradley. Mr. Chairman, there are two parts of an answer to your question.

First of all, if the $50 million is eliminated, we are finding a real mixed bag, if community action agencies would be able to continue to administer the program. We are finding, as I mentioned in my testimony, a number of CAA's saying, "We just couldn't do it." Even though this is only covering 20 percent to a third of our cost, we need the 20 percent to a third of our cost to continue to do this program.

Some CAP's would adopt it as a priority and continue to administer the program. Others now are having trouble, based on location, distribution costs. They are having trouble in being forced to drop out of the program even today because of the high cost related to it.

Therefore, I would say in a general summation that a good 50 percent of our network would probably drop out with the——

Mr. Panetta. How much?

Mr. Bradley. About 50 percent of our network, based on our survey.

The second thing is, though, we are fighting at the same time to have a network. We are looking at the need for this program and we are looking at the need for the community services block grant to keep this program operating. I wish I could sit here and tell you that on October 1 we are going to have the community action agencies out there to run the program. I am deeply involved in this program's legislative effort on both the House and Senate sides, and I don't know. This is the toughest situation I have ever seen in terms of this program.

This community services block grant and the elimination of the community action agencies are extremely high on the administration's discard list.

Mr. Panetta. Father Morin, you have been around a while dealing with food programs. You have quite a bit of experience.

Your testimony concurs with what we have been finding. You still see an increasing problem in New Orleans. You said about 47,000 are still seeking some kind of emergency relief?

Reverend Morin. And that is through augmented efforts on the part of the private sector. I would say the level of consciousness concerning the hunger issues in the country is greatly heightened over the past couple of years.

What we have seen is, of course, increased donations from the food industry, wholesalers, brokers, retailers, food drives in churches and schools. What goes into the community food bank, other than a little bit of United Way funding which is very minimal, is all private sector volunteer donations.

It is the same thing with Second Harvest. That food is not purchased, but it is donated. In that case, we do not know what we would be doing if the archbishop had not come up with the money to start a Second Harvest warehouse.

We are serving 90 agencies at present. It is true the majority of them operate shelters and soup kitchens and give onsite meals, but the others do emergency box programs. We only started that program in December 1982, and it has done nothing but get bigger and bigger in terms of the demand.

When I say you are taxing the voluntary sector—I use that term loosely, as we constantly are going to them—there are other priorities as well. We find in the whole panoply of human services in which we are involved that we are giving more and more time and money to try to make sure that people have the bare minimum in terms of food and shelter. It is getting worse.

Mr. PANETTA. Let me ask you, because I have asked others in hearings and I would be interested in your thoughts: you have a good voluntary effort in New Orleans. You have the backup of the programs in place. You have probably as comprehensive an approach to this issue as any other urban community.

What in your experience tells you why the problem is out there? What is happening? What do you attribute the increase to in soup kitchens, food pantries, and the other things that you have testified about?

Reverend MORIN. I think that most of us who are involved in shelter efforts would have to admit that generally one of the first points is that certainly deinstitutionalization of the chronically mentally ill has had an awfully lot to do with the increase in numbers. Certainly, people who spend more time on community mental health issues and on alternative facilities for those who are chronically mentally ill are analyzing the population at present that moves from one shelter to another, because sometimes the numbers are really—when you take units of service, you do get them blown out of proportion, if it is the same person who is two nights in one shelter, two nights in another, and so on. There is somewhat of a circuit there.

There also is the legitimate need in terms of limited financial resources. In a place like Ozinam Inn, operated by our St. Vincent de Paul Society—I go there on location and see there was a time when all you would see were indigent men or men who were transient who ordinarily stayed out on the streets. You do see women and children lining up.

We have to form a special line now at the back of the building and set a part of the dining room apart for women and children. You also see a number of elderly residents who we know are residents of the central city area who go there to eat. If you visit them at home, you will find out it is not because they like to eat at

Ozinam Inn and have the brothers serve them. It is because they do not have any food in their dwelling place.

The numbers that we are seeing are certainly aggravated by a number of factors. I would say that, once you set aside or factor out the population, those who are deinstitutionalized—we are trying to factor out the reason why some women and children are homeless, whether that is because of domestic violence and other situations that occur, and also there is a question of mobility. There was a time when we would only see single men coming to the city looking for work, but women are just as mobile and, with the responsibility of head of household, they travel with their children and come looking for work as well. The factor is there.

Then locally the unemployment situation is a further aggravation.

Mr. PANETTA. Thank you very much, Father.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

I apologize for being late in arriving back when the subcommittee reconvened. I have your statements here which I will read. I thank you for them. Since I did not hear them, I will not bother you with questions at this time, but I will read your statements. Thank you.

Mr. PANETTA. Thank you both very much. We appreciate your patience and also the testimony that you have provided.

The last panel is Bard Shollenberger, who is the policy analyst on domestic hunger for Bread for the World and the Interfaith Action for Economic Justice, and Michael Lemov, who is executive director of Food Research Action Center.

Thank you both for coming and appearing before the subcommittee. We appreciate your taking the time to come before the subcommittee.

Mr. Shollenberger, you may proceed with your testimony.

STATEMENT OF BARD SHOLLENBERGER, POLICY ANALYST ON DOMESTIC HUNGER, BREAD FOR THE WORLD, REPRESENTING BREAD FOR THE WORLD AND THE INTERFAITH ACTION FOR ECONOMIC JUSTICE

Mr. SHOLLENBERGER. Thank you.

Mr. Chairman and Congressman Emerson, my name is Bard Shollenberger. I am a policy analyst on domestic hunger with the national antihunger organization Bread for the World. Today I am testifying on behalf of Bread for the World and on behalf of the Interfaith Action for Economic Justice.

I would first like to thank you for the opportunity to testify today before this subcommittee on the reauthorization of the Food Stamp Program and the Temporary Emergency Food Assistance Program, and other Federal food assistance programs. We appreciate the leadership that both of you have shown and the subcommittee has taken to support these programs, which have helped to reduce the incidence of hunger in this Nation of abundance.

Bread for the World is a nationwide Christian citizens' movement whose 47,000 members are actively involved in seeking public policies to eliminate hunger in this Nation and throughout the world. We have a long history of working to improve the Federal response to the problems of hunger and poverty in the United States. Food assistance programs are but one part of a more comprehensive strategy to end hunger and poverty in this Nation. In that regard, Bread for the World is also involved in other systemic efforts such as tax relief for the poor, job training, and employment policies.

Interfaith Action for Economic Justice is a coalition of 25 national Protestant, Roman Catholic, Jewish, and ecumenical agencies that work together on Federal legislation and policies seeking justice for poor and hungry people. While Interfaith Action for Economic Justice speaks only for the coalition as a whole and not for the religious bodies that participate in its work, its testimony is consistent with the public policy recommendations adopted by these bodies. Bread for the World is one of the member organizations of Interfaith Action for Economic Justice.

I would appreciate it if our testimony and supportive information could be included in the record in their entirety, as I intend to use my short time to highlight several key issues.

Over the past several years we have seen a dramatic and tragic increase in the number of hungry people in this Nation. It has been documented and reported again and again.

Major studies have been completed by the U.S. Conference of Mayors, the U.S. Department of Agriculture, the Food Research and Action Center, and the President's Task Force on Food Assistance, to name but a few.

To these have been added numerous statewide and local surveys and reports confirming that there are hungry people in this Nation and that their numbers are increasing and that the need for food assistance continues to grow.

Although great strides were made in reducing hunger in America in the late 1970's, hunger has been a growing problem since 1981. During this time, our Nation has suffered through major economic dislocations, the largest increase in poverty since records have been kept, and major reductions in programs vital to helping meet the basic needs of people.

During these last 4 years, Federal food and nutrition programs for poor people have failed to keep up with the rising tide of hunger. Funding for these programs has been reduced by more than $12 billion—$7 billion for the Food Stamp Program alone—causing millions of people to lose food and nutritional benefits and others to exist on less than adequate diets.

By cutting these programs at the very time when economic recession, high unemployment, and the numbers of poor people were increasing, the Government did exactly the opposite of what was needed to counteract the growing problem of hunger and malnutrition in the United States.

Since then, although this subcommittee and the House of Representatives has acted positively to respond to these problems, little has been accomplished to reverse this alarming trend.

In February, the Physician Task Force on Hunger in America reported that hunger is a national public health epidemic affecting at least 20 million people. In addition, they found that hunger has returned to America largely because the programs which virtually ended hunger in the last decade have been weakened. They concluded that Congress must take immediate action to strengthen our food assistance programs to reduce hunger in America.

We agree with those findings and recommendations of the Physician Task Force. It is clear that hunger is a major problem in this country. It is also clear what must be done to correct the problem.

We believe that adequately funded and effectively administered Federal food and nutrition programs are vital resources that can be successful in eliminating hunger in the United States.

It is for these reasons that Bread for the World and Interfaith Action for Economic Justice have officially endorsed and are actively supporting the Comprehensive Nutrition Assistance Act of 1985, H.R. 1856. This bill, introduced on April 1 by Representative Leland and 10 other Representatives—including Chairman Panetta—proposes realistic improvements in food assistance programs that would make a positive contribution toward reducing hunger and malnutrition in the United States.

The bill has the support of numerous national organizations and religious bodies. I have attached a list of those endorsing organizations to my testimony.

Because the Comprehensive Nutrition Assistance Act addresses some programs outside of the jurisdiction of this subcommittee, I will confine my comments to those provisions of the bill related to the Food Stamp Program and the Temporary Food Assistance Program.

It is our hope that the subcommittee will consider thoughtfully and act favorably upon these provisions as well as our other recommendations for these and other programs.

Turning to the food stamp provisions that are part of the Comprehensive Nutrition Assistance Act of 1985, these provisions would help restore equity within the program by reducing restrictive eligibility requirements and by increasing benefits to program participants.

Recent budget cuts have restricted eligibility so severely that many poor people are not participating in the program. Currently, only 57.9 percent of those eligible are participating in the program.

The cuts have also limited benefits and many people are finding that food stamps and other resources simply do not last through the month. Current benefits now average only 49.6 cents per person per meal.

I have detailed in my testimony the specific provisions of the Comprehensive Nutrition Assistance Act as they apply to the Food Stamp Program, but I would like to run through them just in outline form now.

The bill would increase the earned income deduction from 18 percent to 20 percent of earned income.

It would establish separate excess shelter and dependent care deductions and would raise the caps to $175 and $160 per month, respectively.

The bill would also increase the financial resources limit from $3,000 to $3,500 for households with two or more persons, at least one of whom is age 60 or older; and from $1,500 to $2,250 for all other households.

It would raise the allowable excess medical deduction for the elderly and disabled, and the bill would increase the food stamp allotment to 101 percent of the value of the thrifty food plan, and it would allow States to operate an optional system of monthly reporting.

If these provisions sound familiar to you, they should. Most of them were included in H.R. 5151 last year, which was approved by the House on August 1.

Turning to the Temporary Emergency Food Assistance Program [TEFAP], we have found many of our members, congregations, and religious organizations that are affiliated with Bread for the World and Interfaith Action for Economic Justice are actively involved in providing emergency food assistance to families and individuals, many of whom are not participating in other food assistance programs or whose food stamps and other resources simply do not go far enough in providing a nutritionally adequate diet.

Many of these emergency food providers tell us that they are unable to keep up with the demand for food in their communities and that funds available through the Temporary Emergency Food Assistance Program do not come close to meeting their true costs associated with surplus commodity distribution. In addition, many areas remain unserved or underserved by the TEFAP Program.

Additional funding should be provided to TEFAP to help assure that the surplus commodities can continue to be provided to people in need, and to more adequately support the States and the local organizations that are providing this much needed service. Continued funding restrictions on the program, we believe, would severely hamper this largely voluntary effort.

The Comprehensive Nutrition Assistance Act of 1985 would increase funding for the program to $65 million in fiscal year 1986 and would target those additional funds to unserved or underserved areas, particularly rural areas.

We support the continuation of TEFAP and we support the increased funding and targeting of this provision. We also urge that an additional proportion of TEFAP funding be channeled to the emergency food providers operating at the local level.

We believe that the provisions of the Comprehensive Nutrition Assistance Act, as well as other provisions that I have attached in our testimony, would make important and positive steps toward alleviating hunger in the United States.

We are supporting both the provisions in the bill I mentioned as well as others that apply to TEFAP, that apply to the commodities supplemental food program, that apply to the Food Distribution Program on Indian reservations, and to the EFNEP Program. I have detailed these in my testimony.

Congress now has before it the opportunity to act on these legislative proposals that can help to begin to address the food and nutritional needs of hungry people in this Nation.

We have the knowledge, based on our past experience. We certainly have the imagination. We certainly have the resources to end hunger.

Again, I appreciate the opportunity to come before you today. I would be glad to answer any questions that you may have.

[The prepared statement of Mr. Shollenberger appears at the conclusion of the hearing.]

Mr. Panetta. Thank you very much.

Mr. Lemov.

STATEMENT OF MICHAEL R. LEMOV, EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Mr. Lemov. Chairman Panetta and Mr. Emerson, my name is Michael Lemov. I am executive director of the Food Research and Action Center.

We very much appreciate this opportunity to testify here today.

FRAC is a public interest law firm, research, and advocacy organization which has worked for nearly 15 years to improve the Federal food assistance programs on behalf of recipients.

On a personal note, Mr. Chairman, I would like to mention that I spent a good part of my professional life, 8 or 10 years, working as a member of the staff of the House Commerce and House Banking Committees. It is kind of hard for me to get used to sitting on this side of the table, but I will try not to get confused.

Mr. Panetta. As long as you don't know what is going on back here. [Laughter.]

Mr. Lemov. I don't. I can assure you I don't.

Also, my former boss, John Moss, of Sacramento, CA, whom I worked for for many years, used to say that this is the people's house, in contrast to the Senate because the House of Representatives has to stand for reelection every 2 years, and you never can lose touch with what the people really want.

Hearing you examine—cross-examine, I might say—Mr. Bode this morning indicated to me why this is the people's house.

Mr. Panetta. You worked for somebody who raised an awful lot of hell in this institution. [Laughter.]

I think John Moss understood better than anybody what it meant to get the truth out of people. He has been an example to all of us.

Mr. Lemov. Just a comment on your discussion with Mr. Bode—he expressed some doubt as to the impact of child nutrition cuts on the number of schools that actually have those programs. I know that is not within the jurisdiction of this subcommittee, but I do want to point, for the record, to a couple of things which bear on that discussion.

According to a General Accounting Office report which was dated March 30, 1984, entitled "Participation in the National School Lunch Program," the Food and Nutrition Service, Mr. Bode's own agency, did a telephone survey of 872 public school districts in December 1981, and the GAO says the school officials cited concerns about Federal reimbursement rates and student participation as the main reason for dropping out of the program in fiscal year 1982. We think that would support your contention that many schools did drop out due to those budget cuts.

As far as the future goes, that is a matter of prediction. However, I do have a letter from the State of New Mexico School Food Service Unit, dated April 10, 1985, which says—and it is addressed to Senator Boschwitz—it says:

"The loss of the 12-cent-per-meal subsidy to paying children will close many of the school lunch programs" in that State.

Further, we have a statement prepared prior to the most recent budget adjustment in the Senate, but still rather relevant on the subject. It was prepared by the New York State Department of Education, which estimates that 413 or 38 percent of New York's 1,097 school food authorities would be forced to drop their school lunch programs if the section 4 cut is enacted.

I would be happy to submit that information for your record, if you think it is relevant.

Mr. **Panetta**. Thank you. Yes, I would appreciate it, just for our own guidance.

[Material supplied follows:]

FRAC
FOOD RESEARCH AND ACTION CENTER

April 22, 1985

Honorable Leon Panetta
Chairman, Subcommittee on
Domestic Marketing, Consumer
Relations and Nutrition
339 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This letter supplements my testimony of April 16, 1985 regarding reauthorization of the Food Stamp and Temporary Emergency Food Assistance Programs.

During testimony by John Bode, Deputy Assistant Secretary for Food and Consumer Services, Mr. Bode asserted that budget resolutions for child nutrition programs over the past four years had not resulted in a decrease number of schools and children participating in the programs. In addition, Mr. Bode predicted that further cuts of approximately $300 million in child nutrition programs proposed by the Administration for fiscal year 1986 will not result in more schools and students leaving the school lunch and breakfast programs.

When I testified, I referred to a report of the General Accounting Office entitled "Participation in the National School Lunch Program" dated March 30, 1984 which includes the following statement:

> "According to a Food and Nutrition Service telephone survey of 872 school districts in December 1981, school officials citied concerns about federal reimbursement rates and student participation as the main reason for dropping out of the program".

A copy of the GAO report (without appendices) is enclosed for the Committee's use.

With regard to the future impact of further budget cuts on the school nutrition programs, I am enclosing the following which I referred to my testimony:

1. Letter from Clifford O. Morris, Director School Food Services Unit State of New Mexico to the Honorable Rudy Boschwitz dated April 10, 1985 stating "The loss of the twelve-cent-per-meal subsidy to paying children will close many of the school lunch programs".

2. Statement prepared by New York State Education Department estimating that ..."413, or 38% of New York's 1,097 school food authorities would be forced to drop their school lunch program if the section 4 cut was enacted".

1319 F STREET, N.W. #500 • WASHINGTON, D.C. 20004 • (202) 393-5060

Letter to Honorable Leon Panetta
Page 2
April 22, 1985

We hope this information will assist the Committee in its deliberations. I appreciated the opportunity to testify.

Sincerely,

Michael R. Lemov
Executive Director

Enclosures

STATE OF NEW MEXICO
DEPARTMENT OF EDUCATION – EDUCATION BUILDING
SANTA FE, NEW MEXICO 87501–2786

LEONARD J. DE LAYO
SUPERINTENDENT OF PUBLIC INSTRUCTION

April 10, 1985

The Honorable Rudy Boschwitz
United States Senator
506 Hart Senate Office Building
Washington, DC 20510

Dear Senator Boschwitz:

It is my understanding that Senator Dole has negotiated a new budget proposal with the White House which still includes a $400 million cut in Section 4 funding for the National School Lunch Program. The Dole Proposal is as untenable as the Administration's $687 million proposed cut earlier.

The loss of the twelve-cent-per-meal subsidy to paying children will close many of the school lunch programs. Section 4 funding is the Congressional vehicle which allows the school programs to maintain low-priced meals, utilize commodities and provide meal services to all children regardless of their income level. By serving nutritious meals universally to all children, we avoid having children from poor families at nutritional risk. In those schools which terminate their food service programs because of federal budget cuts, we will soon have evidence of malnourishment as we did two decades ago.

Please use your considerable influence to amend the Dole proposal and restore the Child Nutrition Programs to their current level of funding. The potential outcome of budget cuts in the Section 4 funding will not be pleasing to the Congress.

Sincerely,

Clifford O Morris

Clifford O. Morris, Director
School Food Services Unit

COM:bl

xc: Ms. Mary Jane Fiske
Senior Legislative Associate
Minority Staff - House Education
and Labor Committee

THE EFFECT ON NEW YORK STATE OF CUTS IN THE NATIONAL SCHOOL LUNCH PROGRAM

Section 4 of the National School Lunch Act of 1946 provides general cash payments to states to assist schools in providing lunches. A payment of $.12 is made for every lunch served, regardless of the income category of the student. Received in a lump sum rather than as a payment to individuals, Section 4 funds have traditionally been used to support the relatively fixed, nonfood infrastructure cost of the School Lunch Program. Similarly, Section 6 of the Act provides $.12 per meal to be used by schools for purchase of commodities.

A proposal to eliminate the Section 4 payment for lunches served to students in the "paying" category (those with family incomes above 185% of poverty) would result in over 240,000 students being dropped from the School Lunch Program in New York State. Nearly 50,000 of these students are in the free and reduced-price lunch categories, with family incomes under 185% of poverty. This sharp reduction in free and reduced-price category students occurs because it is uneconomical for schools with relatively large proportions of paying students to continue operation of their School Lunch Program if the Section 4 payment for paying students is eliminated.

The New York State Education Department estimates that 413, or 38% of New York's 1097 school food authorities would be forced to drop their School Lunch Program were the Section 4 cut enacted.

The loss in federal dollars to New York State resulting from the Section 4 "paying" category cut would amount to approximately $10.7 million. An additional loss of $9.6 million in federal child nutrition fund reimbursements would be suffered as school food authorities are force to cut programs. Combined with a proposal to cut the Section 6 commodity payment for paying students, a concomitant $10.7 million would be lost for a total economic loss to New York State of approximately $30 million.

The attached table describes the impact the proposed cuts would have on New York State.

ESTIMATED NEW YORK STATE PROGRAM CUTS AND FEDERAL DOLLAR LOSSES AS A RESULT OF PROPOSED CUTS IN THE NATIONAL SCHOOL LUNCH PROGRAM

	FREE (family income below 130% poverty)	REDUCED-PRICE (between 130-185%)	PAYING (above 185%)	TOTAL
SFA's Estimated To Drop Program				413 (38% of the total 1097)
Students Dropped	35,818	11,609	196,820	244,247
Federal Child Nutrition Reimbursements Lost	-$7,866,528	-$1,736,996		-$9,603,524
Section 4 Funds Lost			-$10,769,886	-$10,769,886
Section 6 Commodity Funds Lost			-$10,769,886	-$10,769,886
TOTAL, ECONOMIC LOSS TO NEW YORK STATE:				-$31,143,296
TOTAL, STUDENTS DROPPED FROM SCHOOL LUNCH PROGRAM IN NEW YORK STATE:				244,247

SOURCE: New York State Education Department
State Bureau of School Food Management and Nutrition

THE EFFECT ON NEW YORK STATE OF A SECTION 4 PAYMENT CUT FOR LUNCHES SERVED TO STUDENTS IN THE "PAYING" CATEGORY OF THE NATIONAL SCHOOL LUNCH PROGRAM

COUNTY	# SFA's TO DROP PROGRAM (EST.)*	STUDENTS DROPPED			
		FREE	REDUCED-PRICE	PAYING	TOTAL
Albany	8	1,250	457	7,027	8,734
Allegany	9	1,002	178	1,323	2,503
Broome	17	1,851	582	7,352	9,785
Cattaragus	7	424	114	1,284	1,822
Cayuga	3	242	85	813	1,140
Chautaugua	9	987	265	2,204	3,456
Chemung	4	713	248	2,682	3,643
Chenango	3	99	32	263	394
Clinton	6	172	70	674	916
Columbia	3	478	96	929	1,503
Cortland	1	14	11	90	115
Delaware	3	179	53	276	508
Dutchess	9	992	379	10,279	11,650
Erie	23	1,838	809	8,529	11,176
Essex	3	91	28	345	464
Franklin	2	58	25	138	221
Fulton	2	54	34	261	349
Genesee	6	411	116	1,889	2,416
Greene	3	121	32	327	480
Hamilton	3	100	13	139	252
Herkimer	0	0	0	0	0
Jefferson	2	97	17	222	336
Lewis	1	75	33	196	304
Livingston	4	343	95	1,401	1,839
Madison	3	184	67	513	764
Monroe	23	1,948	842	22,763	25,553
Montgomery	2	20	21	161	202
Nassau	41	2,633	1,083	29,088	32,804
New York	15	274	104	2,910	3,288
Niagra	7	422	149	1,751	2,322
Oneida	15	867	365	3,331	4,563
Onondaga	20	1,007	298	6,981	8,286
Ontario	0	0	0	0	0
Orange	12	511	168	3,680	4,359
Orleans	2	226	63	863	1,152
Oswego	0	0	0	0	0
Otsego	3	178	47	310	535
Putnam	5	245	126	3,154	3,525
Rensselaer	3	226	55	1,206	1,487
Rockland	11	510	155	5,263	5,928
St. Lawrence	4	144	19	355	518
Saratoga	2	260	110	2,137	2,507
Schenectady	6	492	155	3,044	3,691
Schoharie/Schuyler	0	0	0	0	0
Seneca	3	245	76	1,015	1,336

* School Food Authorities

COUNTY	# SFA's TO DROP PROGRAM (EST.)	STUDENTS DROPPED			
		FREE	REDUCED-PRICED	PAYING	TOTAL
Steuben	0	0	0	0	0
Suffolk	36	6,514	1,869	31,969	40,352
Sullivan	6	393	128	1,228	1,749
Tioga	2	393	90	1,225	1,708
Tompkins	3	581	168	1,165	1.914
Ulster	10	1,331	413	4,234	5,978
Warren	5	507	148	1,161	1,816
Washington	6	663	151	1,542	2,356
Wayne	7	1,061	269	3,567	4,897
Westchester	26	1.831	469	11,945	14.245
Wyoming	4	561	229	1,616	2,406
Yates	0	0	0	0	0
TOTAL LOSS OF SCHOOL FOOD AUTHORITIES:	413 (38% of 1097)				
TOTAL LOSS OF STUDENTS:		35,818	11,609	196,820	244,247

Revised

ESTIMATED NEW YORK STATE PROGRAM CUTS AND FEDERAL DOLLAR LOSSES AS A RESULT OF PROPOSED CUTS IN THE NATIONAL SCHOOL LUNCH PROGRAM

		FREE (family income below 130% poverty)	REDUCED-PRICE (between 130-185%)	PAYING (above 185%)	TOTAL
	SFA's Estimated To Drop Program				413 (38% of the total 1097)
	Students Dropped per/day	35,818	11,609	512,287	589,714
	Annual-total	6,268,150	2,031,575	87,120,575	95,420,300
A.	Federal Child Nutrition Section 11 Reimbursements Lost via Program Changes	@ 1.135 -$7,114,350	@ .735 $1,493,208		- $8,607,558
B.	Section 4 Funds Lost for Paying Children	(71,349,717 @ .12¢ & 15,770,855 @ .14¢)		-$10,454,469	-$10,454,469
C.	Section 6% funds Loss from Change from Cash to Commodity for Free and Reduced Price Meals (Reduces SED Cash Increases OGS Commodities)	150,176,934 @ .12			($18,021,232)
D.	TOTAL Economic Loss from Freeze				- 7,944,449
E.	TOTAL, ECONOMIC LOSS TO NEW YORK STATE: (A,B&D)				$27,006,476

F. Impact on SED BUDGET - CASH DISBURSEMENTS VS. ACTUAL 1984-85 BUDGET (A,B&C) - $37,083,259

G. Impact on SED BUDGET - CASH DISBURSEMENTS VS. PROJECTED 1985-86 BUDGET (A,B,C&D) $45,027,708

SOURCE: State Bureau of School Food Management and Nutrition

$1,462,000/day ADP

Calculate · State cost/meal

			Sect 11	Sect 4	State	<66	>66
Free	(1.32) 1.135	8	1.135 +	12 +	6.5 =	1.32	1.345
R/P	(.92) .735	8	.735 +	12 +	6.5 =	.92	.92
Pd	.12		.14 =		+ 6.5 =	18.5	.205

PARTICIPATION	Total Annual	
FREE	133,263,252	150,176,934
R/P	16,913,682	
Paid	87,120,575	
	237,297,509	

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman, Committee On Agriculture, Nutrition, And Forestry United States Senate

Participation In The National School Lunch Program

Legislative changes to the National School Lunch Program in 1980 and 1981 tightened eligibility requirements for schools and students and reduced the federal reimbursement rates for free, reduced-price, and full-price school lunches. GAO analyzed participation and federal expenditures for the 1979-83 period and found that:

--Student participation declined from 27 million to 23.1 million primarily because fewer students ate full-price lunches. In 1982 for the first time in the history of the program, more free and reduced-price lunches were served than full-price lunches.

--The drop in participation by schools and students in the program slightly outpaced the drop in the number of schools and student enrollment nationally.

--Federal program expenditures were greater in 1983 than at any time except 1981, the peak year. Since 1979, the number of families with children qualifying for free lunches increased as did the percentage of federal expenditures for free lunches. Federal expenditures for reduced-price and full-price lunches decreased.

GAO/RCED-84-132
MARCH 30, 1984

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-214750

The Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
  Nutrition and Forestry
United States Senate

Dear Mr. Chairman:

In a letter dated January 30, 1984, you asked us to analyze participation in the National School Lunch Program during the years immediately preceding and following changes to the program made by the Omnibus Reconciliation Act of 1980 (Public Law 96-499) and the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35). The specific changes cited in your letter involved federal reimbursement rates to schools and income eligibility criteria for free and reduced-price meals. You asked us to include information, for fiscal years 1979 through 1983, on the number of students receiving free, reduced-price, and full-price school lunches and the extent to which schools and students have dropped out of the School Lunch Program in recent years.

You also asked us to determine what percentage of eligible children receive free or reduced-price school lunches. We subsequently advised your office that information was not available to make such an analysis. As an alternative, we agreed to compare data on the number of families with eligible children and incomes meeting program eligibility criteria with program expenditure data. At that time, we also agreed to discuss data on School Lunch Program participation reported by the President's Task Force on Food Assistance.

Our analyses were based on available data compiled by the Department of Agriculture's Food and Nutrition Service, the Department of Commerce's Bureau of the Census, and the Department of Education's National Center for Education Statistics. These data do not allow us to isolate the effect of each provision of the acts on program participation. Thus, the information presented in this report reflects the cumulative impact of changes during the 5-year period covered by our analyses. In order to meet the requested issuance date, we did not verify the accuracy of the agency-provided data. As requested, we did not obtain agency comments on this report. A more detailed discussion of our scope and methodology is presented in appendix VI.

The provisions of the 1980 and 1981 reconciliation acts related to income criteria and meal reimbursement rates took effect in January 1981 and in August and September 1981, respectively. The first full fiscal year that all of these provisions were in effect was 1982. Together, the provisions have tightened eligibility criteria for schools and students and decreased federal reimbursement rates for free, reduced-price, and full-price lunches. (See app. I for additional details.)

The results of our analyses are summarized below. The cited appendixes contain additional details.

1. Over the last 5 fiscal years (1979 to 1983), the number of students participating in the School Lunch Program[1] has declined from 27 million to 23.1 million. This decline is primarily attributable to reductions in the number of students eating full-price lunches.

--The number of students receiving full-price lunches has declined steadily from 15.3 million in fiscal year 1979 to 11.2 million in fiscal year 1983.

--The number of students receiving free lunches in fiscal year 1983 (10.3 million) was greater than in fiscal year 1979 (10 million).

--The number of students receiving reduced-price lunches in 1983 (1.6 million) was less than in 1979 (1.7 million).

--Together, the number of students receiving free or reduced-price lunches increased between fiscal years 1979 and 1981 (11.7 million to 12.5 million), dropped off in fiscal year 1982 (11.4 million), and increased again in fiscal year 1983 (11.9 million).

--As a result, in fiscal year 1982, for the first time in the history of the program, more free and reduced-price lunches (1.883 billion) were served than full-price lunches (1.877 billion).

Additional information is provided in appendix II.

2. The number of schools and student enrollment have dropped both in the nation and in the School Lunch Program.

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[1] The Department of Agriculture's Food and Nutrition Service receives data on the number of lunches served in various lunch categories (free, reduced-price, and full-price) and mathematically derives the number of students these lunches represent. We used the Service's data on the number of students participating in the School Lunch Program.

- --Nationally, the number of schools and enrolled students has been steadily declining over the past 5 fiscal years--from 109,200 schools and 47.6 million students in 1979 to 106,000 schools and 44.5 million students in 1983. The percent of decline is 2.9 for schools and 6.5 for students.

- --During this same period, the number of schools participating in the School Lunch Program and the total enrollment of those schools also declined--but at a greater rate than nationally--from 94,300 schools and 44.6 million students in fiscal year 1979 to 90,400 schools and 40.7 million students in fiscal year 1983. The number of schools in the program decreased by 4.1 percent and student enrollment in those schools dropped by 8.7 percent.

- --The total decline in the number of schools participating in the School Lunch Program in the last 2 fiscal years (1,700 in fiscal year 1982 and 800 in fiscal year 1983) can be attributed to various factors, including (1) net school openings, closings, or consolidations in those years, (2) the provision in the 1981 act which excluded high-tuition private schools from program participation, and (3) schools' decisions to drop out of the program because of changes in income eligibility criteria and federal reimbursement rates made by the 1980 and 1981 acts.

- --According to a Food and Nutrition Service telephone survey of 872 public school districts in December 1981, school officials cited concerns about federal reimbursement rates and student participation as the main reasons for dropping out of the program in fiscal year 1982. (We did not evaluate the survey methodology or results.)

- --In fiscal years 1979, 1980, and 1981, an average of 94.1 percent of all students had access to the School Lunch Program; in fiscal years 1982 and 1983, 91.6 percent had access.

- --In fiscal years 1979, 1980, and 1981, an average of 86.7 percent of all schools participated in the School Lunch Program; in fiscal years 1982 and 1983, about 85.5 percent participated.

Additional information is provided in appendix III.

3. Although the 1980 and 1981 acts tightened eligibility criteria, total federal expenditures for the School Lunch Program were greater in fiscal year 1983 than at any time in the 5-year period except the peak year of fiscal year 1981. During that same

period, a greater share of federal School Lunch Program expenditures was used to provide students free lunches. Between 1979 and 1982, the number of families with school-age children and incomes at or below 130 percent of the Office of Management and Budget nonfarm income poverty level (such school children being eligible for a free lunch) increased. The number of families with children eligible for reduced-price lunches also increased, but the number of higher income families decreased. Federal expenditures for reduced-price and full-price lunches decreased.

--Overall federal expenditures for the School Lunch Program increased during the first 3 fiscal years ($2.74 billion to $3.29 billion), decreased in fiscal year 1982 to about $2.95 billion, and increased again in fiscal year 1983 to $3.21 billion--almost to the level of the 1981 peak fiscal year.

--The number of families with school-age children and incomes at or below 130 percent of the poverty level increased from 5.6 million in calendar year 1979 to 7.2 million in calendar year 1982--the latest year for which such data were available.

--The percentage of federal expenditures for free lunches increased every year between fiscal years 1979 (62.6 percent) and 1983 (77.4 percent). In doing so, federal expenditures for free lunches increased from $1.64 billion in fiscal year 1979 to $2 billion in 1981, declined slightly to $1.96 billion in fiscal year 1982, and increased to $2.16 billion in fiscal year 1983.

--For other income categories, the number of families with school-age children and incomes from 130 percent up to and including 185 percent of the poverty level (children eligible for a reduced-price lunch) increased from 3.2 million to 3.5 million, and the number of families with incomes over 185 percent (children that would have to pay the full price) decreased from 20.6 million to 18.1 million.

--Correspondingly, the percentage of federal expenditures for reduced-price and full-price lunches decreased from 9.5 percent and 27.9 percent, respectively, in fiscal year 1979, to 7.9 percent and 14.7 percent, respectively, in 1983. The dollar amounts decreased from $250 million and $730 million to $220 million and $410 million, respectively.

Additional information is provided in appendix IV.

4. The President's Task Force on Food Assistance--established to examine the extent of hunger in America--has also

analyzed School Lunch Program participation. In its January 18, 1984, report, the Task Force concluded that the percentage of families at or below 130 percent of the poverty threshold with school-age children and receiving free or reduced-price lunches remained stable between 1979 and 1982. Its report noted that participation declined for families with higher incomes. We elected to augment the data sources used by the Task Force with Service participation and expenditure data. In general, the Task Force's findings are consistent with the trends we are reporting. (See app. V for additional data.)

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The attached appendixes contain tables, figures, and narratives which address in greater detail the matters on which you asked us to provide information. As arranged, unless you publicly announce its contents earlier, we plan no further distribution of this report until 2 days after its issue date. At that time, we will send copies to the Chairman, House Committee on Education and Labor; the Secretary of Agriculture; and the Director, Office of Management and Budget. We also will make copies available to others on request.

Sincerely yours,

J. Dexter Peach
Director

CHILD NUTRITION BUDGET CUT: OPPOSITION TALKING POINTS

The Senate Republican Leadership-White House budget plan calls for a cut of $400 million in child nutrition (down from $700 million) during FY 86, and a $1.8 billion cut over three years. Most of the savings are attributable to a 100% elimination of the federal cash support paid to schools and institutions for meals served to children from families with incomes above $19,600.00.

* According to the Library of Congress, Congressional Research Service, under the original $700 million proposal some 7.3 million children and approximately 17,900 schools were at "risk of dropping from the program".

* The American School Food Service Association estimates that under the new budget plan 3-5 million children and 5,000-6,000 schools will be forced from the National School Lunch Program.

* When a school is forced from the National School Lunch Program all children, including poor children, lose access to the National School Lunch Program.

* The so-called "high income subsidy" is not a transfer payment to individuals but a grant-in-aid to schools that supports the basic infrastructure of the school lunch program.

* The effect of a "freeze" in FY 86 hits the school lunch program very hard in the out years. Since the school year starts in July, a freeze in FY 86 only affects one school month, September, 1986. In effect, therefore, almost the entire $400 cut in FY 86 is above a freeze. It is also why the out-year numbers grow so large. ($800 million in F.Y. 1988)

* The Omnibus Reconciliation Act of 1981 reduced child nutrition funding by approximately one-third. While the child nutrition programs represent less than one-half of 1% of the federal budget, they shoulder 4% of the cut enacted as part of the Omnibus Reconciliation Act. In short, the child nutrition cut enacted in 1981 was approximately 10 times greater than an across-the-board freeze.

* The 1982 Department of Agriculture study on the school lunch program found it to be nutritionally important to children in all income categories. It states that "the superiority of the School Lunch is reflected in higher daily intake of nutrients for the general school-age population and for all the population subgroups that were examined." Hungry children don't learn!

Contact: Marshall L. Matz, Counsel, American School Food
Service Association, April 15, 1985
(202) 861-1234

Mr. **Lemov**. A serious hunger problem exists in this country today, despite recent improvements in the economy. We must not forget that the poverty rate increased 35 percent in the 4 years between 1979 and 1983 and remains at record levels.

Programs targeted to the poor were cut $57 billion over the 4-year period, 1982 to 1985, according to the Congressional Budget Office.

Low-income programs bore one-third of the cuts, although constituting only one-tenth of the budget. They were cut more than twice as deeply as other domestic programs.

Mr. Panetta, I think that your subcommittee—both you and Mr. Emerson and the subcommittee—deserve a great deal of credit for your activities in attempting to document this problem of poverty and hunger and the remedies.

As we begin another year of debate on Federal food assistance, it is extremely important that we keep in mind the needs of the most vulnerable Americans. For many, a failure to improve these programs, to increase them, would simply put them further behind in their losing battle against hunger.

For that reason, my listening to the Department of Agriculture's testimony this morning was particularly painful. I did not hear one recommendation by the Department of Agriculture for improving the programs or for making some new people eligible who might not currently be eligible. Not even the President's own task force recommendations, the one on assets in particular, asset limitations, was recommended by the Department of Agriculture. It was disappointing to hear such a one-sided presentation in view of the overwhelming statistical information that we at FRAC are aware of demonstrating significant food and hunger problems in this country today.

I appreciate the opportunity to address the reauthorization of the Food Stamp and TEFAP Programs. It is useful to examine especially the TEFAP Program because it is often a critical barometer of the adequacy of the Food Stamp Program.

In that connection, I refer to the report FRAC did last November entitled "Bitter Harvest." We did a survey of about 400 emergency food providers and asked them, were they seeing more or less people in 1984, the reviving economic year. Shockingly, we found that there was an increase of almost 22 percent nationally in the average monthly number of households served in 1984. In the face of that, we also note that the statistics of participation in the Food Stamp Program showed declining numbers, and those two statistics alone demonstrate the need for legislation of the kind this subcommittee is considering.

I would ask, Mr. Chairman, if it is acceptable to you, to submit a copy of "Bitter Harvest," the statistical report on the Emergency Food Program, for the record of your subcommittee.

Mr. **Panetta**. Without objection, that will be made a part of the record.

[The report "Bitter Harvest" is held in the committee files.]

Mr. **Lemov**. I might also point out that in the section on individual comments, at the back of that report, there is some material bearing on whether cutting out the $50 million would affect the ability to continue this program. It is indirect, but there are specific statements from providers, many of them in California and other States, indicating that they do not have the financial resources now to meet the demand in their communities. Obviously, if the $50 million were cut, that would make their position even more difficult.

Turning now to the major recommendations that we have—and I will briefly summarize these since I see my time is expiring:

With respect to the Food Stamp Program, we first urge benefit increases and eligibility broadening reforms. We need, as a Nation, to focus on a great problem. I know this subcommittee can lead the way in not simply holding the line against further cuts, but in improving these programs.

We endorse the benefit increases provided in H.R. 5151, your bill of last year, Mr. Chairman, and in H.R. 1856, introduced by Mr. Leland and many other Members, and in H.R. 1844, introduced by Mr. Weiss.

Of particular importance is the provision which separates and raises the dependent care and shelter deduction. Under current law there is no effective dependent care deduction despite the fact that approximately 70 percent of the heads of food stamp households are women, and nearly half or 47 percent of all recipients are children, according to the most recent USDA data. The lack of a meaningful dependent care deduction is an obvious work disincentive. In fact, it makes holding a job outside the home impossible. So we favor work incentives, and this is a way to make work a real possibility for some parents under this program.

We also strongly support the provision in H.R. 5151, as introduced last March, which would base the food stamp allotment on prospective cost of food. Passage of this provision would mean that for the first time food stamp recipients would actually receive 100 percent of the Thrifty Food Plan [TFP].

CBO recently estimated that during the period of January 1977 through December 1984 the maximum benefits for a family of four averaged $13 or 6 percent per month below the actual value of the TFP because of a lag in establishing the benefit level.

Another factor greatly undermining the value of the food stamp allotment for recipients is the State sales tax on food purchased with food stamps in 17 States. We have a list attached to our testimony of each State and the amount that is deducted. These taxes range from 3 to 6 percent. They represent $115 million in benefits lost to recipients in 1983. We urge the subcommittee to prohibit the levying of State sales tax on food stamp benefits as a condition of participation in the Food Stamp Program.

Turning to administrative reforms, FRAC strongly supports optional monthly reporting and retrospective budgeting. That was a provision of H.R. 5151, and we would urge that optional State supplementation of benefits, as provided under AFDC law, be extended to the State Food Stamp Program without treating those benefits as income.

Despite the bipartisan efforts of this subcommittee—and I emphasize bipartisan—in the past, FRAC has had some reservations about certain provisions of H.R. 5151. I want to emphasize that we want to work closely with you and your staff in attempting to ensure that we are onboard and that we can support the efforts of this subcommittee in the future, if that is possible.

The main problem was the quality control and job search provisions in last year's bill. We ask that the subcommittee seriously consider the following recommended adjustments to those provisions:

As far as quality control, FRAC supports the substantive position of the National Governors' Association and the American Public Welfare Association. This position seeks reform of current law which emphasizes improvements in program operations, not fiscal sanctions, and which recognizes a State's specific caseload characteristics in establishing error rate tolerances.

I might note in passing that Mr. Matsui's testimony this morning was very persuasive to us, and we certainly think that kind of legislation could be a very good model for legislation in the food stamp area.

We want to make clear that we consider quality control an issue that has a profound impact on food stamp recipients. We are concerned that falling participation rates in the program may be in large part a function of the imposition of evermore punitive fiscal sanctions on the States.

We have cited two studies in our testimony which appear to document the fact that the punitive nature of the error rate sanctions is, in fact, keeping people off the program, and may be the reason for that extraordinary decline in participation at the same time as we have an increase in the number of people living in poverty.

On job search, FRAC recommends the following five amendments to the job search provisions of H.R. 5151 in the order of relative importance:

One, we recommend you limit sanctions for noncompliance with job search to the noncomplying member, not the children—not the children, just the person who does not comply. That seems simple due process. It is not the kids' fault that their father or their mother did not follow Federal regulations on job search.

Two, we urge that you provide job search be a State option.

Three, we suggest you provide that associated expenses for recipients in excess of $25 a month be a good cause exemption from the job search requirements or that they be reimbursed for those excess expenses.

Four, we suggest you limit job contacts to some kind of a reasonable maximum. We suggest 24 in an 8-week period would be about enough to impose on an unemployed person, often without much in the way of resources—psychological, financial, family, and otherwise.

Five, we suggest that you eliminate the special Federal reimbursement of job search activities which is fixed at 100 percent. Nothing else in the program gets quite that kind of favorable treatment. We don't see why this particular provision, which has worked out in some ways in a rather punitive way, should receive such favorable treatment.

In this connection, I do want to call your attention, Mr. Chairman and Mr. Emerson, to the attachments to our testimony, which are new data which we obtained from the USDA and other sources on the real impact of sanctions under the Food Stamp Program for job search and workfare.

What we are finding is—and what you will see attached to our testimony is—USDA's own statistics indicating that over 20 percent of the people participating in those programs, job search and workfare, are being disqualified for noncompliance. That is a tremendous disqualification rate. Many of these people probably deserve to participate in the program but made some either technical or regulatory error that threw them out. That raises serious questions and I think suggests that your subcommittee might really take another look at that job search provision to see that it is not really being misused, would not be misused in its implementation.

We would also like to indicate our strong support for the recommendations of the American Association of Retired Persons and the Leadership Council of Aging Organizations to improve the Food Stamp Program for elderly recipients. We understand that Congressman Roybal will be introducing a bill on that subject soon.

On TEFAP, it is FRAC's position that when commodities are in surplus they should be made available for distribution through emergency feeding channels. A viable food bank network is an essential, ongoing element of food assistance in this country.

The TEFAP Program is zeroed out in the administration's proposed fiscal year 1986 budget, as you all have noted. We think this is a shortsighted deficit reduction measure which undermines the very laudable efforts of voluntary food providers and the laudable policy recommendations of this administration, which actually stimulate the growth of the voluntary network and which has seen such an outstanding development. We think it is counterproductive to undercut the financial underpinnings for this network.

We strongly urge the extension of the TEFAP Program, and we urge an increase in administrative funding of no less than the $65 million, which is the amount recommended in H.R. 1856.

We want to thank this subcommittee for this opportunity to testify and for its unflagging efforts on both sides of the aisle to monitor and improve the Food Stamp and TEFAP programs.

We especially urge the subcommittee to continue to focus on the special needs of children and the elderly who make up a majority of the food stamp caseload.

Thank you.

[The prepared statement of Mr. Lemov appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much to both of you for your testimony and for the assistance and guidance that you have provided. It is very carefully-thought-out testimony, and I thank you for your presentation.

Mr. Lemov, we have had an ongoing debate with FRAC on the job search stuff. I guess the question is, what do we do? What we tried to do in H.R. 5151 was to, in fact, increase job search funding, which we thought made a lot of sense to try to provide an incentive to move in the right direction without beating them over the head. I know there was some concern by FRAC on that provision.

The question I have is, why shouldn't we provide job search money to these communities? Let me tell you, you run smack dab into the workfare pitch. That is not saying one is better than the other, but obviously you leave yourself open for that if you are not moving some kind of positive element on the job search front.

Mr. **Lemov**. It is kind of the difference between the principle and the practicality really. In principle, if it worked out that job search actually got people remunerative, useful employment, we could understand that. We favor getting people off the Food Stamp Program and into jobs, and so do the recipients. The problem is the statistics which we have attached to our testimony. They appear to show that it is a highly punitive program and that it is really throwing many, many people—over 20 percent—off the rolls. In addition, it may interfere with real Government training programs and Government as a provider of jobs, a provider of last resort, which is the way we started with our Humphrey-Hawkins bill years ago—the concept that if there are people unemployed and need jobs, the Government has a responsibility.

In principle, we do not disagree. The five amendments we have listed we think would clean it up pretty well. We hope we can meet you halfway.

Mr. **Panetta**. OK. Thank you very much.

Mr. Emerson.

Mr. **Emerson**. Mr. Lemov, you are recommending increases in spending for the Food Stamp Program. Between 1977 and 1983 food stamp participation rose by almost 38 percent, expenditures rose by 146 percent, and the average bonus increased by 81 percent. From 1980 to 1983, food stamp spending went up 40 percent, average monthly participation was up 10 percent, and the average benefit was up 26 percent.

Is this a poor record?

Mr. **Lemov**. No; in absolute terms, it is really not a poor record, but I think, Mr. Emerson, we would like to have you look at the situation that exists now. The problem now is that we have a serious growing problem of poverty, people in poverty, record numbers, and we have to deal with the problem as it is now.

If you adjust those numbers which you just read—and some of those numbers were used in Mr. Bode's testimony—if you adjust them for inflation and also for the number of people living in poverty, we think you will find that, in fact, there has been a modest decrease in Government expenditures for the Food Stamp Program.

You have to weigh it versus the need. The need is huge now. You have heard that all day long. I cannot add to what these people have told you from all over the country.

Mr. **Emerson**. Proportionately, I am not sure that the need is greater today, because I think we have kept pace, than it was, say, 3 or 4 years ago. I think the rate of growth has been reduced. To the extent that the rate of growth is reduced and it is considered a cut, I suppose you can say there was a cut, but the fact of the matter is the programs and the funding have actually grown.

Mr. **Lemov**. There is no question about that, but if you look at it as a percentage of the poverty population, comparing 1981 and 1984, we have seen a sharp decline, about a 6 percent decline. This program has to be measured against the people in need.

We recognize that many economic programs in the past 4 years have apparently worked and that certain parts of the population are doing better in 1984 than they did in 1983 and 1982, but there seems to be a large group of people who have been passed by. I do not have to tell you that; you know it better than I do.

We are asking you to reach out. At least, how about the asset test? This really hits farmers; it hits the new unemployed. They have meager savings of maybe $1,500 over their whole lives or a little house or an insurance policy. The President's own task force urged that change. Why didn't the Department of Agriculture urge at least that improving the modification in this program, to improve and update the asset requirements so that some of these new unemployed could qualify?

Mr. **Emerson**. One of my concerns—and I think the chairman shares it with me—is that so many of these different poverty programs are disjointed. One is not connected to the other. One of the things we are going to try to be undertaking, I hope, in the Select Committee on Hunger, and this subcommittee will be a part of that project, is to look into the idea of having one-stop service for the various poverty programs, because I have to believe that one bears very much on the other. If we directed our relief comprehensively rather than piecemeal as we do, we might have better results in lowering the incidence of poverty.

Mr. **Lemov**. We do not disagree with the efforts to make the program efficient, especially in the job training area—integration would be very useful.

Mr. **Emerson**. Thank you.

Mr. Chairman, I would like to ask unanimous consent to insert for the record Food Stamp Program Facts, a fact sheet, and a commentary on the Physicians Task Force on Hunger in America as it appeared in the St. Louis Post Dispatch on April 12, 1985.

Mr. **Panetta**. Without objection, those will be made a part of the record.

[The material follows:]

FOOD STAMP PROGRAM FACTS

	FY 1980	FY 1984*	Change
Expenditures	$ 9.1 billion	$ 12.4 billion	+ 36%
Average Monthly Participation	21 million	22 million	+ 6%
Maximum Benefit (4 persons)	$209/month	$253/month	+ 26%
Average Benefit (4 persons)	$137/month	$171/month	+ 25%
Average Benefit	$.38/per person per meal	$.47/per person per meal	+ 24%

* In 1980 the average food stamp allotment per meal was 38 cents. Four years later, that rate increased by 24 percent to an average of 47 cents per meal. Further, for a family of four with no income, the per meal rate is 70 cents, or $253 per month.

* For the U.S., 50 percent of all households meet the required daily allowance (RDA) of 11 key nutrients. Forty-six (46) percent of food stamp recipients meet the RDA for the 11 nutrients as compared to 34 percent for low-income nonfood stamp recipients.

* Food Stamp Program is well targeted--60 percent of recipients are under 18 or over 59 years of age; 59 percent of participants are females.

* About 95 percent of food stamp households are below the poverty line.

* Currently (Fiscal Year 1985), a family of four can have a combined earned income of as much as $13,848 per year (130% of poverty) and still be eligible for food stamps.

* With a combined income of as much as $10,200 (poverty level), a family of four (mother, father, a four-year-old and seven-year-old) could still qualify for seven Federal nutrition programs with a combined annual benefit of over $2,700.

*Includes the Puerto Rico Block Grant

Source: U.S. Department of Agriculture

commentary

St. Louis Post-Dispatch April 12, 1985

The Hunger Report: Very Thin Gruel

Doctors Cooked The Numbers To Make A Political Point

By S. Anna Kondratas

The Physicians Task Force on Hunger in America, a group of doctors based at the Harvard School of Public Health, recently released a report claiming that hunger in America is a "national health epidemic." According to the report, "some 20 million Americans suffer from hunger." Even leaving aside questions of definition, one cannot help but be struck by the enormousness of the doctors' allegation that nearly one in 10 Americans is hungry.

Ironically, many of these same physicians participated in a 1977 study which found that America's nutrition programs were a great success and that hunger and malnutrition were no longer serious problems among the poor. What happened in the few intervening years to cause such a dramatic turnaround? To the doctors, the answer is clear: Hunger has spread rapidly because federal nutrition programs "have been weakened." Hunger has returned to the U.S. "primarily due to government failure," they said. In other words, it's the Reagan budget cuts again.

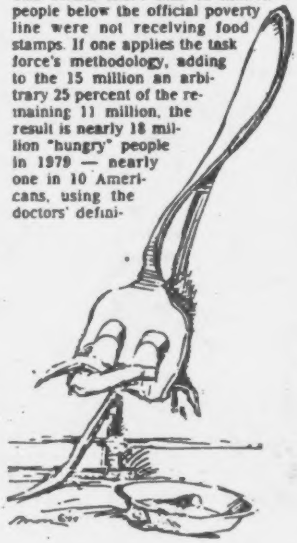
There is hunger and malnutrition in the United States today. But the report certainly does not present any solid data to convince us that 20 million people are barely surviving. For example, contrary to media reports, the physicians did not "find" 20 million hungry (let alone malnourished) people in the course of their survey. Indeed, the methodology for deriving that number is most peculiar and highly unscientific.

First, they took the 1983 poverty count of some 35 million, subtracted the 20 million food stamp recipients, and got 15 million people below the poverty line who were not receiving food stamps. They (quite correctly) state that this is a conservative estimate of the number of poor people not receiving food stamps, because some people receiving food stamps are above the poverty line. Then they decided that, by definition, anyone below the poverty line "does not have sufficient income to purchase a nutritionally adequate diet," an unwarranted assumption based on a misunderstanding of how the poverty thresholds were determined.

Next, the Task Force performed some statistical gymnastics with a few surveys, which even they described as not necessarily reliable, to estimate how many people receiving food stamps might still be experiencing hunger. Again, giving the impression that they were playing it cautious, and that their estimate was "conservative," they took the lowest survey finding (50 percent) and reduced that by half to conclude that some 5 million food stamp recipients also suffer from hunger. There is no scientific rationale for taking half of an unreliable estimate and concluding that it is anything but a totally arbitrary number. But in politics, anything is possible.

Although the doctors are apparently unaware of such information, since 1979 the Census Bureau has been collecting household data on the number of food stamp recipients in poverty. Since there had been no budget cuts in our "successful nutrition programs" from 1977 to 1979 — indeed, there had been substantial increases — one can safely conclude that there was no more hunger in 1979 than the doctors had cheerily documented in 1977, when they declared hunger no longer a serious problem.

What do we find? In 1979, of 26 million persons in poverty, fewer than 11 million — 38 percent of poor households — were receiving food stamps. This means more than 15 million people below the official poverty line were not receiving food stamps. If one applies the task force's methodology, adding to the 15 million an arbitrary 25 percent of the remaining 11 million, the result is nearly 18 million "hungry" people in 1979 — nearly one in 10 Americans, using the doctors' definition. But the doctors found malnutrition in 1977 to be negligible. In fact, they said, what they found gave them "great professional and civic pride."



Miraculously, 15 million poor people in the late 1970s — when inflation was raging — were able to feed themselves without government assistance. And the doctors found no serious malnutrition problems. But in the early 1980s, according to the Task Force, 16 million people with no government assistance are in the throes of a major hunger "epidemic" — despite an almost negligible inflation rate.

The tragedy of reports like "Hunger in America" is that people conclude, from the credentials of the authors, the prestige of the Harvard School of Public Health and the attention given it by the media, that the findings are fact. They're not. They do not establish cause-and-effect relationships between present economic policies and trends and their supposed subject of study — hunger and malnutrition. They merely make assumptions.

According to Census Bureau and Agriculture Department data, in 1979, 17.7 million people received food stamps, some 11 million of them under the poverty line, 6.7 million above. Of the 26 million people living in poverty, 42 percent received food stamps. In 1983, 21.6 million people were receiving food stamps — some 15.5 million below the poverty line and 6.1 million above. Some 44 percent of those officially considered poor received food stamps.

These figures show that not only greater numbers, but a higher percentage of the poor were being reached by the food stamp program in 1983 than in 1979. Moreover, the average per-person monthly benefit between 1979 and 1983 more than kept up with food inflation.

In the late 1970s two out of five poor Americans received food stamps and the doctors saw no hunger crisis. In the early 1980s, two of five poor Americans receive food stamps and that supposedly indicates rampant hunger.

If the "Hunger in America" task force proved anything with its study, it is not that we are in the throes of a "hunger epidemic." Rather, it is that political commitment is not the mother of scientific scholarship.

S. Anna Kondratas is Schultz fellow in health and urban affairs at the Heritage Institute, Washington.

Mr. **Panetta**. Thank you both for your testimony. We appreciate, as always, your taking the time and coming here and giving us the benefit of your thoughts.

We have additional statements that will be made a part of the hearing record. This concludes the first hearing day on the reauthorization bill. We will again have an additional hearing tomorrow for the purpose of considering viewpoints on authorization as well as the other nutrition programs that we work on.

I want to thank all of the witnesses for the testimony they have provided. We hope that within the next few weeks that the subcommittee can complete action on a markup of the food stamp bill that will then be incorporated in the farm bill itself.

With that, the subcommittee is now adjourned.

[Whereupon, at 4:27 p.m., the subcommittee recessed, to reconvene the following day, April 17, 1985.]

[Material submitted for inclusion in the record follows:]

Statement of the Honorable Thomas N. Kindness before the House Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition

April 16, 1985

I want to begin by expressing my gratitude to you, Mr. Chairman and the other distinguished Members of this Subcommittee, for extending to me this opportunity to share our experiences with the Temporary Emergency Food Assistance Program (TEFAP) in Ohio.

I don't think any of us expect all of the federal programs we enact to be implemented and administered perfectly. In fact, a few problems are certain to arise in even the most well planned programs.

However, what we have been experiencing in the State of Ohio, particularly in the last year or so, has aroused serious concern about the allocation of surplus agricultural commodities and the administration of TEFAP in general.

My office began to receive inquiries and questions about TEFAP as early as the summer of 1983. At that time, the Government Operations Subcommittee on Government Information, Justice, and Agriculture, on which I serve, held hearings on some of the problems with the distribution at that time. To make a long story short, those of us who participated in those hearings felt that maybe things would be straightened out.

But now, I have reason to wonder, at least in the case of the State of Ohio. In the first part of 1984, TEFAP in Ohio was administered by the Ohio Department of Education. Later that same year we found that the program had been transferred to the Ohio Department of Agriculture. Just when the program was supposedly functioning well under the Ohio Department of Agriculture, we were informed that it would now, effective January 1, 1985, be administered by the Ohio Department of Human Services. I might note that the Department of Human Services has not seemed willing to honor existing contracts with distribution centers under the Ohio Department of Agriculture.

So, the program is now being administered by the third Ohio agency within one year. Since the announcement of the most recent transfer late last year, there has been a serious information gap which is not only confusing to program participants, but which threatens to bog down the program in the bureaucracy.

In addition, we have received reports from certain Ohio distribution centers indicating that some areas of the state were receiving excess commodities while others face a shortfall. At the same time, we have been told that the State of Ohio has not faced cutbacks in commodities, as some of my constituents reported they had been told.

I am submitting a copy of the testimony of the Ohio Foodbank Association delivered at a hearing held by the Ohio Department of Human Services on February 13, 1985. I think this document will spell out other problems encountered with Ohio's program in greater detail.

I am also including with my statement a copy of Governor Celeste's response to my second inquiry about the program.

Again, Mr. Chairman and Members of the Subcommittee, I thank you for this opportunity to share our confusing experiences with TEFAP in Ohio.

(Attachments follow:)

Testimony given at ODHS on 2-13-85

We are here to testify at this final hearing regarding the rule filing on the TEFAP Program by the Ohio Department of Human Services. We feel the submission of this rule filing is premature for these reasons:

1. To our knowledge, there have been no public hearings regarding the proposed State Plan, yet this is considered the final meeting by ODHS;
2. The proposed State Plan is not a reformat of the operative State plan, butis an entirely new plan; and,
3. The proposed State Plan, as presented, is incomplete with pages missing, attatchments missing and 5 counties not accounted for.

Please refer to the attatched testimony of the Ohio Foodbank Association for details, in particular item number 1, Mechanical and Definition Problems.

TESTIMONY

The Ohio Foodbank Association recognizes and applauds the States recent emphasis of the provision of commodities on an equitable basis through out Ohio, using the existing 13 Foodbanks distribution network.

Over the last three years, USDA commodities have been introduced into this existing system, and, we are appreciative of the State providing the forum for better organization, communication and distribtion of food in the Foodbanking Industry. In 1984, members of the Ohio Foodbank Association collectively distributed 48.8 million pounds of food; one third of which was USDA commodities, and the balance being other donated products.

It is in this context, then, that we present this response to the most recent proposed State Plan. Questions have been raised by the Association which are identified in four general catagories:

1. Mechanical and Definition Problems.

The proposed State Plan, as mailed on January 29, 1985, was incomplete: pages 08, 10, 12, 17, 18, 19, 21, 23, 29, 30, 33 and 35 are missing, along with all the attatchments refered to through out the plan.

The proposed State Plan, in its division of Service Regions, neglected to include five counties: Marion, Morrow, Richland, Ashland and Crawford.

An Executive Order was sited as the reason for movement of the TEFAP Program from the Ohio Department of Agriculture to the Ohio Department of Human Services; the request for an Executive Order, S.A.I. Number 05-084-0002, was filed on December 11, 1984; was the Executive Order issued?

The definition of 'target population' refered to through out the plan needs clarification.

Although the proposed State Plan defines a food pantry, it does not contain any information regarding pantry distributions, and the importance thereof. It is our recomendation that the philosophy of the Statement of Purpose in the operative State Plan be incorporated in the proposed State Plan, now before you:

> "This State Plan recognizes the existing foodbank/pantry network across Ohio. We support the foodbank system and do not attempt to duplicate or replicate good existing services. Rather we support and encourage that system so that all eligible persons, where ever they live in Ohio have equitable access to USDA Title II commodities in addition to the other food foodbanks provide."
>
> "Where there are not yet food pantries to serve eligible population, we will use regularly scheduled mass distributions of USDA Title II commodities to meet those needs."

The proposed State Plan does not speak to methods of allocations of commodities to Service Regions. The operative State Plan, pages 2 and 3, presents the percentages of product to be received by a Service Region, yet, product currently being received by RAs does not reconcile with with the allocations.

2. Operative Procedures.

According to Mr. Joseph Shepherd, Director of the Food Distribution Division of USDA, there are no federal regulations requiring insurance of commodities, yet the proposed State Plan consistently refers to the necessity of a type on insurance that is not commercially available. The proposed State Plan changes even the focus of the insurance coverage requested by the operative State Plan; from fraud and negligence to loss due to theft and/or damage - in the RAs control or not. Any liability incurred by the RA must be limited to acts under its control.

As currently defined, pantries are not RAs, LDs or LSs, but must be considered the foundation of the proposed State Plan. The foodbank/pantry system should be targeted to receive all the commodities it can possibly use since it serves people well below 150% of the poverty level, in most instances, clients fall into 50% to 70% of the poverty level. Mass distributions should be considered a priority in those counties which do not have a pantry network.

Mr. Joseph Shepherd stated there aren't any federal regulations regarding eligibility requirements, that decision is left to each state. Therefor, the State could allow simple declaration and eliminate the massive paper work requirements in the operative and the proposed State Plan.

In the proposed State Plan, the distribution chart listed for mass distribution should be considered a maximum allotment, and eliminate the distribution chart for pantries.

When one Service region has a surplus of commodities and another has a need, in this instance, product should be able to cross service territories by mutual agreement between RAs.

USDA does not require loads to be palletized during shipping, but they require product to be palletized while in storage. The State could provide equipment to the RAs to facilitate unloading and the pallets to store the product on.

Notice of delivery time by trucking firms is limited to 24 hours, this is not sufficeint time for preparation considering nearly half the commodities are being delivered nonpalletized.

3. Cost Reimbursement.

Reimbursement to RAs should be up to the allowable 5% for actual costs incurred, as broken out by percentages in the operative State Plan, pages 2 and 3, using the allowable costs memo for appropiate expenses.

RA has no control over ODHS approval and reimbursement of funds to LDs or LSs, and therefore will not be responsible for disallowed costs after they have been reimbursed by the state and then deemed ineligible.

The operative and the proposed State Plan promise 30 day turn around time on properly submitted vouchers. What is the post date on the 30 day time limit? Can an RA pass through penalties and interest it incurrs on unpaid invoices because expenses from a previous month have not been reimbursed to allow payment of current invoices: asses .05% penalty on all unpaid balances 30 days past due and bill the state?

A system for review of LD encumberances every 90 days may result in the reallocation of funds to RAs costs so that we do not end up with a surplus at fiscal year end.

The flat rate of 2¢ per pound available to RAs to cover warehousing expenses should be based on receipt of commodities, not on ditribution.

LD costs begin when an order is placed with an RA for commodities.

4. Subcontracts.

RA contracts with LSs and LDs, the States only responsibility should be in reviewing those contracts to insure the fall with in federal regulations.

LS and LD definitions are adequate to allow an RA to develop subcontracts at its own option in compliance with USDA regulations, thereby eliminating pages 05 and 07.

The Ohio Foodbank Association represents an efficeint, voluntary, private sector means of distributing product to the needy people of Ohio. Private Industry recognizes the professionalism of foodbanks across the country which judiciously distributed 155 million pounds of donated product in 1984. Yet, Foodbanks in Ohio have been excluded from the planning process involved in developing the State Plan since April of 1984. The Advisory Committee, as promised by Director Dale Locker on July 12, could be an excellent format for participation by those charged with the actual execution of the plan. We are requesting the Advisory Committee be formed immediately, and a meeting be conveined with in 30 days, as promised by Dan Pollack at a meeting on November 27.

The Association hopes to continue working co-operatively with the State to effectively distribute USDA commodities to the needy of Ohio.

STATE OF OHIO
OFFICE OF THE GOVERNOR
COLUMBUS 43215

RICHARD F. CELESTE
GOVERNOR

March 27, 1985

The Honorable Thomas N. Kindness
United States House of Representatives
2417 Rayburn Building
Washington, D.C. 20515

Dear Representative Kindness,

Your continued interest in the Temporary Emergency Food Assistance Program (TEFAP) is much appreciated.

TEFAP was transferred from the Ohio Department of Agriculture to the Ohio Department of Human Services effective January 1, 1985, because I felt this program should be aggressively administered to serve people. The Ohio Department of Human Services, as an expert in serving people, has aggressively worked to move the focus of the program from the requirements of the bureaucracy to the requirements of the Ohioans in need. For example, ODHS has streamlined the program paper work by requiring specific information rather than a standardized form. This allows established pantries and distributors to continue to use their current system of record keeping with little disruption. In addition ODHS has put in place a payment and reimbursement system which will forward money to distributors on a monthly basis. For food assistance operations who often function on a shoe string, this budgeting stability allows them to focus on serving their clients rather than the electric bill.

The Ohio Department of Human Services has also put in place a plan of equitable distribution. This plan ensures that each region will receive the percent of Ohio's allocation of commodities which is equal to the percent of Ohio's eligible population within that region. Thus, a region with 10% of Ohio's eligible population will receive 10% of Ohio's allocation of commodities.

This plan in no way guarantees service to every Ohioan who is eligible as Ohio does not receive enough commodities to serve everyone who is eligible, rather this plan, distributes the limited commodities equitably throughout the State.

Finally, through the establishment of an advisory committee which is composed of actually distributors, ODHS has worked with Ohio's distributors to resolve any problems with the rules and agreements. The advisory committee will continue to assist ODHS in the challenge of making TEFAP the most effective food assistance program possible.

Again, thank you for your concern. Please feel free to contact me again should you have any further questions.

Sincerely,

Richard F. Celeste

Richard F. Celeste
Governor

RFC:gjb

TESTIMONY OF JOHN BODE
DEPUTY ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION
HOUSE COMMITTEE ON AGRICULTURE
APRIL 16, 1985

Mr. Chairman, and Members of the Subcommittee, thank you for inviting me to appear before you today to discuss the Administration's budget and legislative proposals for Fiscal Year 1986. We look forward to working with you in the coming months as we continue to provide food assistance to those in need and reduce unnecessary government spending.

I am accompanied today by Mr. Virgil Conrad, Deputy Administrator for Family Nutrition, Food and Nutrition Service, USDA and Mr. John Stokes, Director of the Office of Analysis and Evaluation, Food and Nutrition Service, USDA.

Our efforts over the past year through the Food Stamp and Commodity Distribution Programs have provided a substantial amount of assistance for millions of Americans. In Fiscal Year 1984, participation in the Food Stamp Program averaged 21 million people per month at an annual cost of $11.6 billion, up 40 percent from 1980 spending (19 percent taking inflation into account). However, as a result of a healthy economy and declining unemployment, food stamp participation has dropped from its all-time high of 22.6 million persons in March, 1983 to 19.8 million in September, 1984. Every month one in eleven Americans receives food stamps and, over the course of a year, about one in six Americans is a food stamp recipient.

During Fiscal Year 1984 the Federal Government provided $195 million worth of commodities for meal service to needy recipients through soup kitchens and charitable institutions. Participation averaged 1.6 million per day. In addition, $1.1 billion in commodities for home consumption was made available through food banks. These commodities included cheese, butter, nonfat dry milk, honey, flour, rice and cornmeal.

Against this backdrop, the Administration proposes legislation and a budget request which will re-authorize certain programs, adjust State and Federal roles in the Food Stamp Program, reflect the work ethic in the Food Stamp Program, and strengthen program integrity in certain programs.

Reauthorization of Certain Programs

The Administration's legislative proposal will extend the Food Stamp Program through Fiscal Year 1989. In addition, it will extend the Puerto Rico Nutrition Assistance Plan, the Commodity Supplemental Food Program and commodity distribution authority for institutions, disaster areas, summer camps, the Trust Territories, and Indians through Fiscal Year 1989.

Adjusting State and Federal Roles

For the Food Stamp Program, we are proposing to give States greater latitude than under the current Food Stamp Program if they choose to take advantage of it. It is an Optional Nutrition Assistance Grant Program which would operate in lieu of the Food Stamp Program. A State which chooses this option will receive funding equal to its administrative grant under a second proposal which I will describe, plus the value of benefits issued in the State during the preceeding year. Benefits would be adjusted on the basis of changes in food prices and unemployment levels as well as any other factors established by the Secretary. The State can use each year's funds either in the year they are provided or during the next year.

A State which chooses this option will submit a plan for the Secretary's approval, and will have considerable latitude in designing its program. There will be an assessment of the food and nutrition needs of the State's low-income residents and a description of the assistance to be provided and the people to be assisted. The Secretary will assure that assistance is provided to the State's most needy residents.

Under the proposal States will have an opportunity to provide these low-income persons with food assistance benefits in a more effective and efficient method than the current Food Stamp Program. We strongly urge adoption of this provision.

We propose to establish a State Administrative Grant set at $840 million in Fiscal Year 1986 to be distributed proportionately to States based on their 1984 shares of Federal administrative costs. This plan will replace the present open-ended entitlement to States for administrative costs which has various matching rates for different activities. The Administration is making similar proposals to finance the administrative costs of AFDC and Medicaid. Subsequent annual adjustments to these grants will be indexed to the Gross National Product Implicit Price Deflator. We expect Fiscal Year 1986 savings to be about $40 million over the current law due to the proposal to freeze funding in FY 1986 at the estimated FY 1985 level.

By eliminating complicated funding formulas, program administration will be simplified. Further, these grants will create stronger incentives for States to improve managerial practices because any savings will directly reduce State costs without affecting Federal grants. Finally, a limit on administrative funding will help to control Federal expenditures.

We think it is essential at this time to mandate stronger State incentives for the control of administrative costs. We believe that $840 million represents an adequate Federal fiscal commitment to program administration. An open-ended entitlement to State agencies is simply a poor way to allocate scarce Federal funds, and provides no incentive for effective program management.

Reflecting the Work Ethic in the Food Stamp Program

We propose to establish greater emphasis on the positive value of work experience and employment in the Food Stamp Program by mandating that States establish a work program which incorporates the operation of Job Search and a Community Work Experience Program (CWEP). Our proposal will allow States to phase in CWEP over a 3-year period. They will place a minimum of 25 percent of the employable caseload in CWEP in the first year, 50 percent in the second year, and 75 percent in the third year.

This change is compatible with AFDC legislation, thus offering the prospect of compatible work requirements between the two programs.

To complement these changes, we are proposing a separate grant set at $92 million to State agencies to assist them in establishing work programs. Funding will increase as the percentage of the employable caseload for which States are required to provide assistance increases.

It is our strong conviction that mandatory CWEP will benefit both program participants and communities. Able-bodied food stamp recipients will have the opportunity to perform useful work and therefore benefit by making a contribution to their communities and by enhancing their sense of self-worth. Communities will derive benefit from their work. Individuals on the program will be introduced to the work environment and will be encouraged to find regular employment. The existence of a CWEP and Job Search requirement will act as a deterrent to Food Stamp Program participation of those able-bodied individuals who can work but do not choose to do so. Because CWEP will help persons to move out of the Food Stamp Program and into productive employment and because it will deter from participation those able-bodied individuals who do not want to work, this proposal will save an estimated $16 million in Fiscal Year 1986, and savings will increase to $58 million in 1990.

Strengthening Program Integrity

We believe several changes are needed to make the Food Stamp Program stronger and more effective.

We propose to establish current regulatory policy on vendor payments in the law. We will include as income benefits provided to third parties on behalf of households by the AFDC program and by State and local governments, except that medical, energy, housing and child care assistance as defined by current regulations will not be counted as income. The Secretary will be authorized to provide, by regulation, an exclusion for certain third-party payments for emergency and special assistance. While congressional intent as reflected in legislative history supports this policy, there have been court challenges which suggests that the policy should be placed in the statute.

We propose to establish a $50 annual fee for retailers and wholesalers authorized to accept food stamps. Fees from currently participating retailers will be due on October 1, 1986 and on each succeeding October 1. The fee will be due from new retailers immediately upon approval of their application and on each subsequent October 1. It costs the Federal Government over $14 million annually to authorize and supervise more than 230,000 firms. This proposal will restore most of that expense. This nominal user fee will acknowledge the benefit retailers gain from participating in the Food Stamp Program.

A further proposed amendment will prohibit the authorization of disqualified stores following sales or other transfer unless the appropriate penalty has been paid. Presently, some stores are evading disqualification by transferring ownership. We believe it is essential to stop this circumvention in order to maintain the Food Stamp Program's integrity.

Finally, we propose to prohibit the authorization of new Commodity Supplemental Feeding Programs in areas where WIC Programs are in operation. Currently, both programs can operate in the same area, but individuals are barred from participating in both programs. This proposal will reduce the need to police dual participation and thereby prevent program abuse.

Now I would like to turn to several concerns raised by the Subcommittee Chairman and Ranking Member in their letter of invitation to testify today.

First, what is the current status of pilot projects in the computerization of the Food Stamp Program, such as that in Reading, Pennsylvania?

USDA is presently testing the electronic funds transfer technology for delivering food stamp benefits in Reading, Pennsylvania. The demonstration project, developed under contract and implemented with the cooperation of the Pennsylvania Welfare Agency, is testing the feasibility of substituting electronic benefit transfer for paper food stamp coupons. Such electronic transfers may aid our ongoing efforts to reduce mail fraud, food stamp theft, forgery or alteration of participant identification or authorization cards, redeeming food stamps for cash, and trafficking in coupons. In addition, under this procedure food stamp recipients will not have to go to the local welfare office or to a bank every month to pick up their benefits.

Under this "on-line" system, each food stamp household gets a plastic magnetic-strip card bearing the participant's picture and account number. The household also gets a personal identification number that must be used with the ID card at the grocery store to authorize use of the card.

At the checkout station, the clerk inserts the card into a telephone-sized computer terminal and the participant enters the household's personal identification number into an accompanying keyboard to activate use of the card. If the card and personal identification number match, the recipient's account will be automatically debited by the amount of the food purchases and the grocer's account at a designated bank will be credited with the same amount. Overnight, food stamp funds are automatically deposited in the retailer's bank.

We began implementation of the Reading demonstration project in October of 1984. It was fully operational in January, 1985 and will terminate in December, 1985. About 3,600 households and 130 retailers are participating. At this point the system appears to be well accepted by both recipients and retailers. We plan to release this summer an interim report describing the Reading system and documenting the activities undertaken during its design, development and implementation. The final evaluation report will be available in the summer of 1986.

Second, the Committee asked what we think of making credit unions eligible as food stamp redemption institutions?

Under this arrangement, credit unions in addition to banks and savings and loan associations would receive redeemed food stamps from grocers and others. Presently, there are 15,300 Federally insured credit unions. As contrasted with banks, they serve a closed membership. Some may have strong membership ties to retailers.

The suggested opening of the program seems unnecessary to us. Authorizing more institutions to redeem coupons increases potential for program abuse and dilutes monitoring efforts. In addition, we know of no complaints about retailers lacking access to banks and savings and loan associations.

Third, the Committee asked about providing nutrition education to food stamp recipients in view of the

Administration's request to eliminate EFNEP, the Expanded Food and Nutrition Education Program.

Chief among the nutrition education efforts we have tailored for food stamp recipients is a campaign started in 1983 and called "Make Your Food Dollars Count". As part of this campaign, we have developed:

- A set of four pamphlets, each with two messages on nutrition or wise food-buying techniques. The pamphlets are designed for easy reading by people of limited education.

- A set of two posters, "Buy Better" and "Eat Better".

- A slide/cassette tape presentation to help nutrition professionals and volunteers teach the "Make Your Food Dollars Count" concepts.

- A project guide, which gives suggestions for conducting workshops on nutrition.

- A set of 6 public service announcements, two of which were also produced in Spanish, for release to radio stations across the country.

We have distributed over 4 million sets of pamphlets, almost a million of Spanish pamphlets, over 18,000 sets of posters, over 6,000 sets of Spanish posters, over 4,000 project guides, and almost 900 slide/tape cassette presentations to State and local nutrition education agenices, and to independent agencies and groups. We have distributed over 6,000 public service announcements to radio stations.

We produced in 1985 camera-ready copy for newspapers, newsletters and magazines to use to spread the nutrition and food-buying messages more widely. These "reproducables" were adapted at low cost from our existing nutrition pamphlets, and distributed through FNS Regional offices.

We have supported State and local agencies, independent organizations, and volunteer groups in their nutrition education efforts.

Fourth, the Committee asked what effect would the elimination of $50 million State and local administrative funding have upon the TEFAP Program.

We anticipate that special commodity distribution to households will continue next year even without the special funding for State and local TEFAP administrative costs. It will continue next year under other existing legislative authority.

Prior to providing Federal administrative funding in the spring of 1983, we relied on the resources of State and local governments and help from voluntary organizations in conducting an effective surplus distribution program. We anticipate that this spirit of cooperation and volunteerism will continue. Congress adopted TEFAP in 1983 as a temporary mechanism to encourage commodity distribution during the economic downturn. With the improvement in the economy, we believe this specific subsidy is no longer necessary. In addition, USDA will, of course, continue to assume most of the costs of this distribution by purchasing, storing and transporting commodities to central points in each State.

Finally, the Committee asked what surplus commodities are available now in what amounts and what we anticipate will be available over the next year.

Effective April, 1985, these commodities and amounts are available on a monthly basis to States for household distribution:

Cheese	35 million pounds
Butter	12 million pounds
Nonfat Dry Milk	6 million pounds
Rice	8 million pounds
Honey	6 million pounds
Flour	10 million pounds
Corn Meal	3 million pounds

We anticipate that these commodities and quantities will be available through September, 1985. We will begin to examine the availability of commodities for FY 1986 in the next few months.

That concludes my statement, Mr. Chairman. I will be happy to respond to any questions or comments from Members of the Committee.

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

HALL OF THE STATES 400 NORTH CAPITOL STREET, N.W. WASHINGTON, D.C. 20001 (202) 624-5382

STATEMENT OF

STEPHEN L. RICHMAN

CHAIRMAN

COMMITTEE ON EDUCATION AND HUMAN RESOURCES

OF THE

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS AND NUTRITION

COMMITTEE ON AGRICULTURE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

REAUTHORIZATION OF THE FOOD STAMP PROGRAM

APRIL 16, 1985

Introduction

Good afternoon. Mr. Chairman, I am Stephen Richman, Assistant Chief for social development programs in the New York State Division of Budget, and Chairman of the Education and Human Resources Committee of the National Association of State Budget Officers (NASBO). As you may be aware, NASBO is affilitated with the National Governor's Association, and is the principal organization for the development of the Governors' national fiscal and executive management policies. I want to thank you, on behalf of our association, for providing us this opportunity to contribute to your deliberations on food stamp reform and reauthorization. My comments today will emphasize the following objectives: safeguarding the right of all people to adequate and nutritious food; assuring continued full Federal participation; and maintaining the integrity and administrative equity of the food stamp program.

It is our position that food stamp recipients have already withstood their share of benefit cuts under the 1981 and 1982 changes and that future Federal actions should seek to more adequately address the needs of recipients.

NASBO recognizes and agrees that the growth of federal aid must be curtailed if the deficit is to be reduced. However, deficit reduction should not be an excuse for the Federal government to abandon its historical responsibility for maintaining essential income support services for the needy. Accordingly, NASBO strongly supports full funding for needs-tested entitlement programs like food stamps.

The administration contends that its proposed reform efforts will increase program integrity and decrease fraud and errors. However, many of their proposals are designed to cut program costs by creating obstacles to program participation and expansion, thereby undermining the program's basic objective to alleviate hunger and prevent malnutrition. In addition, further human services program reductions are likely to result from any proposals to impose fiscal sanctions upon states based on arbitrary quality control error rate standards. These reductions would occur at the same time that effective state management of the program is jeopardized through a proposed cap on administrative costs.

The Fiscal Health of the States

All of these proposed reductions represent a serious threat to both the fiscal vitality of the states and the integrity of state administered human services programs. For most states, the 1984 fiscal year ended with a moderate improvement in state finances. However, this improved fiscal situation comes after two years of extensive budget cutting, revenue raising, deferred expenditures and other austerity measures developed to fill the gap left by the dramatic Federal funding reductions initiated in 1981 and the

1982-83 recession. In fact, during the 1982-83 period, 44 States increased taxes and 43 States decreased their budgets. All of these austerity measures were necessary to enable states to achieve constitutionally required budget balance, but it should be noted that most of these actions, especially the tax increases, were emergency measures, providing temporary or non-recurring relief.

Although the states' year-end balance of $6.3 billion in 1984, projected to decrease to $5.3 billion in 1985, represents a welcome increase over the historically low $2 billion 1983 level, it is still only about half of the general fund balances held prior to the recession. While the economic recovery has enabled many states to improve their financial condition, pressure to restore budget cuts, fund selected program initiatives, and repeal recent tax increases will test the ability of states to maintain reasonable year-end balances as a buffer against future economic uncertainty.

This leaves little room for the states to absorb or replace any future Federal funding reductions. Cutbacks in Federal grants-in-aid and entitlement programs, already enacted and proposed, increase demands on other government levels to provide services. The capacity of state and local governments to replace lost Federal dollars is marginal under existing circumstances. Therefore, any further shift of responsibilities for entitlement programs from the Federal to state governments, in the form of caps, sanctions or benefit reductions, will result in reduced services to the poor.

Within the framework I have outlined, I would like to take this opportunity to discuss some specific concerns relevant to both current operations and proposed changes to the food stamp program.

Quality Control

The first critical concern is with the quality control process as it operates not only in food stamps, but in all three income support programs. Fundamental reform of the quality control process must be enacted and we are hopeful that this can be achieved in this session of the Congress. While, at first, quality control was solely a management tool designed to lower the rate of incorrect payments, it has now evolved into a vehicle to reduce the federal matching share by fiscally sanctioning states failing to meet unreasonable federal error rate standards. This is troublesome since the Federal tolerance levels are generally unobtainable, and there have been a number of studies indicating that the quality control process is flawed methodologically.

For example, technical errors, which for the most part do not result in erroneous payments, are counted for the purposes of error rates used to calculate sanction amounts. In addition, current quality control fiscal sanction policies fail to take into account the differences among the states including, demographic variances, program complexities, size of caseload and scope of coverage. There is no empirical data to support a contention that every state should be able to achieve the same error rate in the food stamp program. States are therefore being held fiscally liable for errors which are beyond the control of even the most responsible food stamp administrative agency. Moreover, final error rate results are not available from the federal government in time for states to incorporate them in any necessary corrective action plans. Generally, error rates are finalized at a minimum of two years after the State audits are performed.

In addition, it is ironic that Federal agencies are planning to finally collect sanctions at a time when state error rates are at an all-time low. Nationally, states have reduced error rates in income support programs by more than one half over the past 10 years. This progress has been made despite the increasing complex and continuously changing nature of federally-mandated program requirements. The food stamp program, for example, has been significantly amended at least six times since 1977. Many errors are the result of complex requirements established by either Congress or the U.S. Department of Agriculture, or of the confusion created when states attempt to administer several overlapping Federal assistance programs, all with differing eligibility and administrative requirements. States have been most effective at reducing their error rates during periods of minimal change. In fact error rates have decreased 20% since 1981 as few program changes have occurred. We suggest that waivers be granted during periods of program change to accommodate necessary initial implementation adjustments.

Moreover, the magnitude of these potential sanctions is alarming. The administration's proposed budget assumes a Food Stamp funding reduction of $140 million due to the imposition of sanctions for prior Federal fiscal years. Prospectively on an annual basis sanctions could approximately double if even more stringent quality control measures are instituted, such as levying sanctions against program costs, as has been proposed. If sanctions against program costs are levied, they will severly diminish the states capacity to effectively administer and maintain existing levels of human service programs.

Further, when you consider the size of estimated sanctions in all income support programs, which could approach $1.5 billion by 1990, it is clear that the current quality control sanction process will significantly reduce Federal support for needs-tested poverty programs.

Such a dramatic shift of funding responsibility threatens to undermine the state-Federal partnership that is vital to basic operation of income security programs, and jeopardizes the very entitlement nature of these programs.

Finally, although we understand the necessity of working towards reducing the federal deficit, it is both unfair and burdensome to force states to pay to the Federal government funds which could be better utilized to enhance program administration. States have spent millions of dollars to reach unrealistic error rate tolerance levels. We are fast approaching a point where the cost of error rate reduction exceeds the savings achieved. We would hope that, during the deliberations on reauthorization, a proposal to review the quality control process would be considered so that states are not subject to arbitrary financial sanctions. Such a revamped quality control process should include: fiscal incentives to states to encourage error rate reduction and to partially defray the expenses of these efforts; technical assistance to states in establishing effective quality control programs and corrective action plans; and reasonable performance requirements based on demonstrated achievement, demographics and program characteristics.

Mr. Chairman, I have with me a position paper on quality control that NASBO has developed which addresses these issues in more detail. I would appreciate it if that could be entered into the Committee's record.

Block Grant

A second concern we would like to express relates to our strong opposition to any attempt to fund the Food Stamp Program in the form of optional state block grants. By "blocking" all nutrition assistance programs, including Food Stamps, entitlement status is threatened and States may be forced to discontinue or cap services of one program to maintain another. Block granting would result in non-uniform program standards nationwide, undermining the very integrity of the program and fundamentally altering the Federal/state partnership. States would be forced into the position of either providing State supplementation or diminishing services for recipients. As few states can afford to establish a new supplement program, the quality and availability of services would surely be reduced. We cannot let this happen. Accordingly, the Federal commitment to basic income support services for the poor must be maintained. The unequal distribution of poverty and income among the states make this continued Federal role vital to the preservation of the social safety net.

Fixed Administrative Cost

A third concern we have is the Administration's proposal to finance food stamp administrative costs by limiting state's funding in 1986 to the 1985 level, and by tying future increases to the GNP deflator. We strongly oppose imposition of this cap as it would not accommodate normal program growth and will effectively shift a disproportionate share of the administrative costs for this Federal program to the states, who in turn would be forced, as funding stagnates and costs rise, to reduce their capacity to deliver quality services to recipients, and forego employee cost-of-living increases. In addition, a fixed cost administrative grant is inconsistent with current Federal requirements to achieve lower error rates in the food stamp program. Reductions in errors cannot be achieved without additional investments in program administration, which are not recognized in this proposal. Tying costs for a public assistance program to the GNP deflator is also illogical as there would be no assurance that program funding would increase during economic down turns when more people are in need of services. Such a change would be especially devastating to Northeastern and Midwest communities where local economies are more affected by cyclical fluctuations that increase recipients and, in turn, administrative costs. Finally, the cap would also eliminate incentive funding for computerization, claims collections and other measures aimed at program improvement which often require an initial investment prior to realizing any savings.

Workfare

We are against instituting a mandatory workfare requirement. Current program rules already require all able-bodied recipients to register for available work. Workfare is an expensive "make-work" program which does not enhance the recipient's ability to gain permanent employment, but rather is a disguised tactic to discourage program participation to justify decreasing total expenditures. The workfare target population typically experiences frequent fluctuations in income and grant levels that would create periods of varying workfare eligibility and ineligibility. For this reason it would not only be extremely difficult to administer a workfare program, but would also be highly cost-ineffective.

Reinstituting the Purchase Requirement

We implore the Committee to recommend against reinstituting the purchase requirement whereby recipients must make a cash contribution in order to receive benefits. We view this as yet another attempt to provide a disincentive to participate. Past experience has proven that this requirement acts as an obstacle to the most severely impoverished who have difficulty "buying-in" to assistance. States would be burdened with the additional responsibility of handling cash used to buy benefits, which would undoubtedly increase program cost, and the likelihood of fraud and errors.

Monthly Reporting

Our next suggestion is to make monthly reporting and retrospective budgeting a state option. Cost/benefit analysis shows that especially in states with large complex programs such as New York, MRRB is not producing a savings, is costly to state administering agencies and is no more effective at reducing overpayments than previously used methods.

Shelter Benefits

As you are all aware, finding affordable shelter is becoming increasingly difficult for low income persons. Recipients who receive shelter and energy cost assistance are penalized when such assistance is counted as food stamp income and therefore decreases their food stamp benefits. We urge you to rectify this situation by exempting any increases in shelter or energy assistance from consideration as food stamp income, decoupling the excess shelter and child care deduction and setting these deductions at adequate levels such as proposed in HR 1844, that will allow recipients to live in decent housing while seeking permanent employment. In addition, we encourage the Committee to broaden exclusions under vendor restricted payments to more adequately represent actual disposable income available for food purchases.

Compatability with AFDC, SSI

Our next suggestion is to make the food stamp program more compatable with the Aid to Families With Dependent Children (AFDC) and the Supplemental Security Income (SSI) programs. The eligibility determination process for all three programs requires that eligibility workers separate income and resource tests for each applicant. This is duplicative and administratively burdensome. By making eligibility rules more compatable, program efficiency will be increased.

Current resource limits of $1500 generally and $3000 for elderly/disabled multi-member households are inadequate and should be upgraded to $2,250 and $3,500 respectively. In addition, the threshold for counting the value of vehicles against the resource limit should be increased from $4,500 to $5,500 to more accurately represent today's prices. Moreover, the Deficit Reduction Act of 1984 (P.L. 98-369) requires that the first $50 of any monthly child support income received by an AFDC family must be disregarded in determining eligibility and benefit levels. A parallel change exempting this payment from food stamp income would ensure that recipients receive the increase in benefits which Congress intended.

Cost-of-Living Freezes

Program income limits, the Thrifty Food Plan, and currently indexed deductions should not be frozen at present levels. As food, shelter and dependent care costs continue to rise so must deduction limits and benefit levels to accurately reflect disposable income. The Thrifty Food Plan should represent actual food price projections. Presently, the Thrifty Food Plan is far behind current food costs.

We also request that the earned income deduction be upgraded to the previous 20% level. This deduction recognizes the cost of going to work and earning income and represents abounts that are clearly not accessible to recipients for food purchases.

Homeless

Presently, the food stamp program excludes a large segment of needy persons from participation -- the homeless. These persons are barred from participation even when residing in shelters. States are incurring significant costs for feeding these shelter residents. We propose that allowances be made, similar to those enacted for battered women's shelter residents, to permit these destitute people to participate and strengthen the State/federal partnership in alleviating the homeless problem.

Conclusion

Mr. Chairman, we encourage this subcommittee to press for a reauthorization bill that will incorporate fair and equitable administrative standards and preserve benefits to the needy. We cannot be "pennywise and pound foolish" in redesigning the food stamp program, our most significant weapon in the war against hunger and malnutrition. Nor can the Federal government wash its hands of the business of feeding the poor by shifting financial responsibility to the states under the guise of providing greater administrative flexibility, or by using such backdoor federalism tactics as reducing the federal match through the imposition of unreasonable sanctions. The states are not in a position to offset federal reductions. While we agree that containing program expenditures is essential, full federal funding for means-tested entitlement programs must continue. Hunger is a national problem and must be dealt with uniformly on a national basis.

(Attachments follow:)

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QUALITY CONTROL IN FEDERAL INCOME-SUPPORT PROGRAMS: THE IMPERATIVE FOR REFORM

A Position Paper*

INTRODUCTION

Under existing Federal quality control policies it is conceivable that the Federal government could levy more than $1.5 billion in fiscal sanctions against the states over the next five years. This staggering sum is of deep concern to state budget officials since it represents a serious threat to both the fiscal vitality of the states and the integrity of state administered human services programs. For most states, the 1984 fiscal year ended with a moderate improvement in state finances. However this improvement followed two years of extensive budget cutting, revenue raising, expenditure deferrals and other austerity measures, actions that must all be considered temporary in nature. Any valid assessment of the current fiscal condition of the states must take into account future expenditure requirements, the stability of current revenue streams, including Federal grants, and the likelihood of a slowdown in economic growth. All factors considered, the states can ill-afford to absorb quality control penalties of the magnitude estimated above without profound negative consequence. Moreover, levying these sanctions would constitute a serious failure in the quality control program, for it would only serve to highlight the inequities and gross deficiencies inherent in the current systems. It is also very likely that the imposition of these sanctions by the Federal government would produce extensive, costly and protracted litigation by the states, which would seriously undermine the true goals of quality control.

The National Association of State Budget Officers (NASBO) believes that it is in the best interests of the Federal government and the states to avoid this outcome and the confrontation it could produce. Rather, the Association believes that now, prior to any precipitous action by the Federal government, is the time to embark upon a joint venture to produce real reform in the quality control system.

NASBO believes that quality control is an essential tool in preserving effective management in income support programs. We whole heartedly agree that achieving cost effectiveness through reductions in errors is an appropriate and necessary public policy objective, and that accountability for the expenditure of public funds must remain a high priority. However, to be truly effective quality control programs must be fairly and equitably administered, recognizing the legitimate role, responsibilities, and administrative burdens of the states. Clearly, the current systems do not meet this test. Rather, they are serving as devices to accomplish a shift of financial responsibility for federally guaranteed income support programs, from one level of government to another. This policy is inequitable and unacceptable to the states.

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*Adopted, March 18, 1985

To respond to these concerns, this paper sets out, in broad form, and from the state perspective, the problems we believe exist with current quality control and fiscal sanction policies, and suggests specific remedies and avenues to achieve programmatic and fiscal reform. NASBO firmly believes that adoption of these recommendations will ultimately lead to more effective program management and a more efficiently administered human services system. It is our objective, therefore, that this paper provide a basis for further discussion with Federal officials with respect to both the future policy development and detailed application of national quality control initiatives.

BACKGROUND

Quality control in Federal income support programs dates back to 1963 when the Department of Health, Education and Welfare promulgated regulations requiring biannual reviews of AFDC case actions. In the intervening twenty years at least half a dozen major quality control procedural and policy changes have been implemented in AFDC alone, most without benefit of congressional action. In addition, since the mid-1970's quality control reviews have been required in the Food Stamp and Medicaid programs and in these programs as well policy revisions have been commonplace. Although these three Federal income support programs are integrally related to one another, quality control policies among the programs are not uniform. This lack of consistency in quality control is indicative of a larger programmatic problem in AFDC, Medicaid and Food Stamps. Over the past four years each of these complex Federal programs has experienced major policy changes on a continuing basis. Too often these changes have further exacerbated existing inconsistencies among the programs. At the same time, congressional action has required Federal regulatory change, conforming state legislation, and numerous changes to local eligibility manuals, procedures and automated systems required for administrative support. These changes have been costly to implement and have created an administrative nightmare for the states. However, despite the growing complexity of these Federal assistance programs, despite numerous and frequent policy changes of significance, and notwithstanding shifting and inconsistent quality control policies, states dramatically reduced their error rates prior to the collection of any fiscal sanctions. From 1973 to 1982 the AFDC error rate has been more than halved, dropping from 16.5 percent to 7.3 percent. The error rate in Medicaid fell from 6.2 percent in 1978 to an estimated 3.3 percent in 1982, and the Food Stamp error rate declined from 23.5 percent in 1974 to 12.2 percent by 1982.

These error rate reductions and concommitant Federal and state savings, have been achieved during a period in which the overall administrative burden on states has increased significantly. Moreover, the decline in error rates signifies the states' determination to reduce inappropriate payments and their commitment to invest considerable resources to the achievement of that goal. Indeed, the states and the Federal government have spent literally hundreds of millions of dollars on corrective actions during the past decade. Improvements have been made in such areas as computer-assisted eligibility determination and grant calculation procedures, data matches involving wages and other benefit programs, worker training programs, caseload management, client education, fraud detection and prevention, and administrative performance monitoring.

Clearly, it is apparent that error rate reduction is in the best fiscal interests of the states, and that the prospect of cost savings has been a significant motivating force in the improvements in program management achieved to date. Further reductions in error rates are not likely to be achieved through the imposition of sanctions. Rather, the curtailment of errors will largely depend on the complexity of Federal policy, the frequency and magnitude of policy changes, the rationality and cost effectiveness of quality control efforts, and the availability of sufficient Federal and state funding for program administration. In the following sections we will describe major shortcomings in existing quality control programs and propose remedies to bring about needed reform.

SIGNIFICANT PROBLEMS IN QUALITY CONTROL PROGRAMS

The current Federal quality control programs are in many respects inefficient and ineffective. They do not produce a valid and reliable estimate of real errors or produce information on a timely basis, and they often result in penalizing states that have been performing well. Moreover, the quality control programs disregard crucial socio-economic and program variations among the states. They are practiced inconsistently from one region of the country to another, and they do not appropriately recognize the administrative impact of frequent Federal policy changes, and the complexity and inconsistency of policy across the three income support programs. Approaching these problems from a somewhat more detailed standpoint, they fall into the following major categories:

- Performance Targets. The current 3 percent error rate tolerance level in the AFDC program is unreasonable. Only one state has been able to achieve and maintain such a performance level for three consecutive periods. The performance target does not adequately recognize the complexity and intricacy of the eligibility and benefit calculation processes; nor does it recognize valid and crucial state-by-state differences. For example, no provision is made to distinguish size of caseload, poverty levels, unemployment, urbanization, the scope of coverage or benefit levels. This is the case despite a report by DHHS in 1982 that program variations can significantly effect error rates and that states with large, urban caseloads face more difficult problems in controlling payment errors, even in the presence of comparable resources.

- Definition of Errors. The current systems ignore valid differences between client-caused errors and agency errors, and wrongfully require states to count technical errors in calculating penalties. Approximately half of all errors identified are client-caused and appear for the most part to be beyond the capacity of state agencies to fully control, despite the substantial resources that have been expended on control techniques and education. On the other hand, technical errors which are unrelated to payment errors count equally in the calculation of sanctions. States are understandably reluctant to spend limited administrative funds to correct errors that have little, if any, fiscal consequence.

- Computing Error Rates. Current mandates that dictate the manner in which error rates must be computed may act to overstate actual state errors. Since these error rates are based on samples of cases, only the probable range, and not the true error rate is determined. As a result, a state may be subject to a penalty because its mid-point error rate exceeds the Federal tolerance level, even though the lower end of its error rate range falls below the tolerance. Consequently, states may be penalized for more errors than are actually committed. In addition, due to the small size of some of the samples, larger ranges or confidence intervals are required, leading to greater uncertainty in error measurement and disproportionate impacts. This, combined with the requirement to count technical errors, can create an inaccurate picture of state performance.

- Review Process. The manner in which the initial quality control review and subsequent Federal re-review are conducted is not reasonably related to the circumstances under which an eligibility worker must operate. As a consequence, the validity of the quality control process as a fair indicator of state administrative performance is clearly suspect. A quality control auditor has an average of six months to investigate a client's financial circumstances, while a caseworker has a maximum of thirty days to complete the same review and make an eligibility determination. In addition, quality control review standards are far more rigorous than those that an eligibility worker could be reasonably expected to apply. Moreover, Federal auditors have, in the re-review process, the additional advantage of focusing solely on the cases included in the state sample without being confronted by the time constraints and competing demands routinely faced by eligibility workers. It is apparent, therefore, that the opportunities available to Federal reviewers to identify potential errors are not generally available during the initial eligibility determination process.

- Federal Management of Quality Control. Quality control management policies are applied unevenly across the country and are not implemented in a cost-effective manner. For example:

  -- As stated previously, there is a lack of consistency and uniformity in quality control policies among the several Federal income support programs;

  -- The quality of Federal reviews differs within and among the various regions and causes inequities in the way states are treated;

  -- Different Federal regions have adopted and applied opposing policy interpretations of regulations;

  -- Ambiguous Federal policies requiring judgemental application have led to additional errors through interpretation;

  -- Federal delays in releasing error rate data have made it difficult for states to plan and implement effective corrective action programs, and to legitimately document their requests for sanction waivers; and

  -- The cost-effectiveness of corrective actions is not taken into account in determining whether sanction waivers are granted. In certain instances the cost to achieve error reductions will exceed the funds saved.

In summary, these problems, which go to the very heart of the quality control program, seriously undermine its effectiveness and call into question the Federal government's assertion that quality control is a positive management tool for promoting better program administration. Rather, it now appears that quality control may become a mechanism to reduce Federal funding for income support programs while shifting the financial burden to the states. As such, it would represent a backdoor approach that would undermine and reverse the long standing Federal financial commitment to basic safety net programs. If implemented in this fashion it is highly likely that states may be forced to reduce administrative costs and/or recipient benefits or services.

RECOMMENDATIONS

NASBO is committed to working with Federal officials, members of Congress and other interested parties in bringing about real reform in quality control. We believe it would be a serious mistake for the Federal government to continue the policies now in force and to impose costly, unfair, inefficient and ineffective sanctions upon the states. These sanctions would undoubtedly harm, rather than improve the prospective administration of income support programs, and could constrain states to institute reductions in services or administration they otherwise would not impose. We believe the following series of recommendations, if implemented, can positively reshape the program and serve to reaffirm the importance of quality control as a necessary and appropriate management tool.

- Performance Targets. Uniform performance targets now established at 3 percent nationwide should be replaced. Tolerance levels should appropriately differentiate among state caseload and program characteristics, thus recognizing uncontrollable socio-economic factors and the complexity of state administered programs. Alternatively, current error rate performance targets could be replaced either by a process that separates major portions of eligibility determination and benefit calculation, establishing discrete targets for each and recognizing the particular state circumstances in which these programs operate within federal guidelines (e.g. the number of optional services provided); or by a system that establishes targets based upon achievable goals as determined by peer performance.

- Definition of Errors. Those technical errors which do not contribute to erroneous expenditures should be excluded for purposes of calculating fiscal sanctions. In addition, client-caused errors should be discounted in determining ineligible or incorrect payments subject to fiscal sanction. Many technical errors cannot be reasonably controlled by administrators, and may not contribute to erroneous program expenditures. Discounting client-caused errors would recognize that states cannot hope to totally eliminate these errors. However, errors of both types, technical and client-caused, should be measured for management purposes.

- Computing Error Rates. The official error rate for purposes of fiscal sanctions should be the lower end of the statistical range in which it falls. This would obviate the possibility of overstating a state's error rate and imposing higher than warranted sanctions. This recommendation is consistent with positions taken by the General Accounting Office and the National Research Council. Furthermore, quality control reviews should be conducted, at state option, either semi-annually or annually, and be based on a statistically reliable sample of cases.

- Review Process. The quality control review process should be modified so that it operates according to reasonable time constraints and review standards. In particular, Federal re-reviews should be completed within six months after the state review is conducted and Federal auditors should operate without the benefit of the specific state-by-state audit results. This modification will enhance the credibility of the quality control process as a fair indicator of state administrative performance.

- Federal Management of Quality Control. The Federal government should assure that quality control policies are uniformly interpreted and applied by the regional offices across the country and that, to the extent practicable, quality control standards are consistent or uniform among the three income support programs. In addition, reasonable time limits (e.g. six months) should be established within which a state's error rate is determined and finalized through the Federal re-review process, so that corrective action can be undertaken in a timely and cost-effective manner. The current time lag for final determinations averages two years from the close of the audited period. Clearly this delay further undermines the states' ability to achieve what should be the major objective of quality control -- improved administration. With respect to identified errors, the Federal agencies should consider extraordinary state circumstances and the cost-effectiveness of corrective actions when determining the approvability of a state's waiver request. Finally, we strongly believe that states should be afforded the option to appeal adverse quality control decisions before a departmental grant appeals board.

CONCLUSION

It is the position of NASBO that the foregoing recommendations constitute a reasonable basis for achieving reform in quality control, and that their implementation would dramatically improve the effectiveness and credibility of performance monitoring and control by Federal agencies. These recommendations have been developed to facilitate achievement of the following goals:

- To maintain accountability in the expenditure of public funds for income support programs, while ensuring program integrity and the equitable distribution of financial responsibility between the Federal government and the states;

- To assure that the quality control process yields error rates that are fairly determined and appropriately reflective of program complexity and socio-economic and geographic factors beyond a state's control;

- To establish fair and uniform management of quality control programs among Federal agencies and throughout the Federal regions; and

- To impose fiscal penalties that are based solely upon overpayments made, or erroneous benefits issued; while states should be required to identify and attempt to correct all errors, no sanctions should be imposed that are not related to misspent funds, nor should any sanctions be imposed that are based upon current Federal standards or guidelines that are determined to be improper or inequitable.

Furthermore, it is NASBO's position that prior to any imposition of sanctions by the Federal government for past periods, the inequities in the current system should be remedied, incorporating the reforms recommended in this paper. We believe this is essential to assure that the error rates promulgated are truly reflective of state performance. This will significantly enhance the potential for broad-based acceptance of the quality control process.

To further strengthen the quality control process as a fair indicator of state performance, the program should provide, in the future, for appropriate lead time and a grace period from sanctions to help states respond to any change in Federal rules or regulations. Given the magnitude of program changes in the recent past, and the time required by states to adjust systems and procedures, temporary waivers would provide a reasonable opportunity for appropriate implementation of program changes.

In summary, now is the time to move toward the implementation of these goals. We are at a crucial juncture in quality control, where the opportunity for achieving reform in a cooperative environment currently exists. NASBO believes that it would be a serious mistake to let this opportunity slip by, and accordingly we look forward to a constructive dialogue with Federal officials in the weeks and months ahead.

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

HALL OF THE STATES 400 NORTH CAPITOL STREET, N.W. WASHINGTON, D.C. 20001 (202) 624-5382

RESOLUTION

QUALITY CONTROL ERROR RATE SANCTIONS

WHEREAS The National Association of State Budget Officers firmly believes that achieving cost effectiveness through reductions in income support program errors is an appropriate and necessary public policy objective;

WHEREAS The current Federal Quality Control systems for the needs-tested entitlement programs administered by the states are inaccurate and inequitable in their measurement of state performance;

WHEREAS Punitive sanctions are not effective in achieving the goal of reducing AFDC, Food Stamp and Medicaid error rates nor are they necessary because states and localities have a major financial interest in proper administration of these programs and because each error in the AFDC and Medicaid programs unnecessarily expends state dollars;

WHEREAS The states have accomplished significant reductions in error rates over the past several years and will continue our concerted effort to reduce these error rates even further;

WHEREAS The imposition of sanctions by the Federal government may require states to reduce expenditures in human services programs and could ultimately lead to a weakening of the administration of these programs;

THEREFORE BE IT RESOLVED that the National Association of State Budget Officers recognizes that there is sentiment in Congress for retaining sanctions and is committed to working with Federal officials to shape an equitable quality control system. It is the position of the National Association of State Budget Officers that such a system must recognize the legitimate role, responsibilities and administrative burdens of the states and accurately reflect the complexities of the Federal income support programs. Accordingly, we urge the Congress to consider immediate action that would at a minimum:

- Eliminate sanctions for "technical errors," i.e., those errors which do not affect the final payment, from the calculation of error rates used for fiscal sanctions;

- Set error rates at the lower bound of the range of the statistical estimate;
- Require that the quality control review process operate on a timely basis, and incorporate reasonable review standards.
- Assure the uniform application of quality control policies nationwide and the development of consistent standards across the income support programs.
- Provide states appropriate lead-time and a grace period sanctions to help states respond to any change in Federal rules or regulations.

BE IT FINALLY RESOLVED that the National Association of State Budget Officers recommends that the imposition of sanctions. under the current system be waived until such a time as the Congress has completed action on the necessary reforms. Failure to take such action will only increase the uncertainty under which states must budget for these programs and may result in unnecessary reductions in vitally needed services.

GERALD H. MILLER
Secretary

APPROVED BY THE NATIONAL
ASSOCIATION OF STATE BUDGET
OFFICERS MEMBERSHIP
March 18, 1985

STATEMENT OF DENNIS HART, DIRECTOR, DEPARTMENT OF SOCIAL WELFARE, SACRAMENTO COUNTY, CALIFORNIA AND VICE CHAIR, INCOME MAINTENANCE SUBCOMMITTEE, NATIONAL ASSOCIATION OF COUNTIES (NACO)*, BEFORE THE SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION, U.S. HOUSE OF REPRESENTATIVES.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM DENNIS HART, DIRECTOR OF THE DEPARTMENT OF SOCIAL WELFARE IN SACRAMENTO COUNTY, CALIFORNIA. I AM TESTIFYING ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES. WE THANK YOU FOR THE OPPORTUNITY TO TESTIFY.

THIS AFTERNOON, I WOULD LIKE TO DISCUSS NACO'S POLICY ON THE FEDERAL BUDGET PROPOSALS FOR FISCAL 1986, AND THEN DESCRIBE OUR POSITION ON REAUTHORIZING THE FOOD STAMP PROGRAM AND OUR CONCERNS ABOUT TERMINATING EMERGENCY FOOD AND SHELTER PROGRAMS. UNDERLYING ALL OF MY COMMENTS IS THE BASIC PHILOSOPHY THAT COUNTY GOVERNMENT IS A PARTNER WITH THE FEDERAL GOVERNMENT IN DELIVERING SERVICES TO THE NATION'S NEEDY.

THE FEDERAL BUDGET

NACO HAS BEEN AN ACTIVE PARTICIPANT IN THE DEBATE OVER REDUCING THE FEDERAL DEFICIT. AS AN ORGANIZATION REPRESENTING ELECTED AND APPOINTED COUNTY OFFICIALS, NACO KNOWS FROM THE LOCAL PERSPECTIVE THE NEED TO OPERATE TIGHT BUDGETS WHILE PROVIDING EFFICIENT AND EFFECTIVE SERVICES FOR LOCAL RESIDENTS. AS A WELFARE DIRECTOR ADMINISTERING THE FOOD STAMP PROGRAM, I AM KEENLY AWARE OF THE PRESSURES TO REDUCE OPERATING COSTS AND THE CONSTRAINTS THAT MAKE THAT OBLIGATION DIFFICULT TO ACHIEVE AND MAINTAIN.

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*NACo IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN AMERICA. ITS MEMBERSHIP INCLUDES URBAN, SUBURBAN AND RURAL COUNTIES JOINED TOGETHER FOR THE COMMON PURPOSE OF STRENGTHENING COUNTY GOVERNMENT TO MEET THE NEEDS OF ALL AMERICANS. BY VIRTUE OF A COUNTY'S MEMBERSHIP, ALL ITS ELECTED AND APPOINTED OFFICIALS BECOME PARTICIPANTS IN AN ORGANIZATION DEDICATED TO THE FOLLOWING GOALS: IMPROVING COUNTY GOVERNMENT; ACTING AS A LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; AND ACHIEVING THE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

SINCE THE LATE 1970'S, THE NATIONAL ASSOCIATION OF COUNTIES SUPPORTED CUTS IN CERTAIN FEDERAL DOMESTIC ASSISTANCE PROGRAMS. SINCE 1981, WE HAVE ACCEPTED $40 BILLION OF DOMESTIC CUTS. IN THE CONTINUING DEFICIT REDUCTION, WE RECOGNIZE THE NEED FOR EACH LEVEL OF GOVERNMENT TO SHARE THE BURDEN. FOR THIS REASON, WE SUPPORT AN ACROSS-THE-BOARD FREEZE FOR THE FISCAL YEAR 1986 FEDERAL BUDGET. THE FREEZE STILL AMOUNTS TO A $3 BILLION CUT IN REAL DOLLARS FOR STATES AND LOCAL GOVERNMENTS. THE BURDEN MUST BE EQUITABLE, HOWEVER, AND MUST NOT SUBJECT THE POOR, THE SICK, AND THE LOW INCOME ELDERLY TO FURTHER LOSS OF BENEFITS. CONSEQUENTLY, MEANS-TESTED ENTITLEMENTS, INCLUDING MEDICAID, AFDC, SSI AND FOOD STAMPS SHOULD BE EXEMPT FROM THE FREEZE. AN ACROSS THE BOARD FREEZE EXEMPTING MEANS-TESTED PROGRAMS WILL CONTINUE THE INTERGOVERNMENTAL PARTNERSHIP IN REDUCING THE DEFICIT AND MEETING THE CRITICAL NEEDS OF OUR NATION'S DISADVANTAGED. OUR POLICY ALSO RECOGNIZES THE NEED FOR FUNDING AT CURRENT LEVELS TO PROTECT OUR ABILITY TO CARRY OUT EXISTING FEDERAL MANDATES. I HAVE ATTACHED A COPY OF OUR BUDGET POLICY TO MY TESTIMONY.

FOOD STAMPS

THE NATIONAL ASSOCIATION OF COUNTIES STRONGLY SUPPORTS REAUTHORIZING THE FOOD STAMP ACT. WHILE WE CONTINUE TO SUPPORT THE DEVELOPMENT OF A COMPREHENSIVE, NATIONAL INCOME MAINTENANCE POLICY THAT CONTAINS MEANINGFUL WORK PROGRAMS FOR THOSE ABLE TO WORK AND A UNIFORM INCOME ASSISTANCE SYSTEM FOR THOSE UNABLE TO WORK, THE CURRENT FOOD STAMP PROGRAM MUST BE RETAINED AND IMPROVED UNTIL SUCH A NATIONAL POLICY IS IMPLEMENTED.

THIS BUDGET POLICY AND THE EMPHASIS ON THE INTERGOVERNMENTAL PARTNERSHIP APPLIES TO ALL OF THE PROGRAMS UNDER THIS SUBCOMMITTEE. THE FOOD STAMP PROGRAM IS A TYPICAL EXAMPLE OF THIS PARTNERSHIP.

COUNTIES IN 14 STATES ADMINISTER AND/OR PAY FOR A PORTION OF THE ADMINISTRATIVE COSTS OF FOOD STAMPS. IN MY STATE OF CALIFORNIA, COUNTIES PAY 25 PERCENT OF THE TOTAL COSTS OF ADMINISTERING THE PROGRAM WHICH, LAST YEAR, AMOUNTED TO OVER $140 MILLION. BECAUSE OF THIS INVOLVEMENT, NACO HAS MADE ERROR RATES AND ADMINISTRATIVE BLOCK GRANT PROPOSALS AMONG OUR TOP PRIORITIES THIS YEAR.

ERROR RATES

CHAIRMAN PANETTA, FIRST LET ME SAY THAT NACO APPRECIATED YOUR LETTER LAST YEAR PLEDGING YOUR SUPPORT FOR A THOROUGH EXAMINATION OF THE ERROR RATE SANCTION ISSUE DURING THE FOOD STAMP REAUTHORIZATION.

NACo BELIEVES THAT ERROR RATE SANCTIONS UNDERCUT THE CURRENT FEDERAL, STATE, AND COUNTY PARTNERSHIP IN ADMINISTERING THE FOOD STAMP PROGRAM. BY IMPOSING FISCAL PENALTIES, THE FEDERAL GOVERNMENT IS SHIFTING COSTS AND THE BURDEN OF THE ADMINISTRATIVE PARTNERSHIP TO US. WE ALREADY HAVE A MAJOR FINANCIAL STAKE IN IDENTIFYING ERRORS BECAUSE IT COSTS STATE, LOCAL AND FEDERAL DOLLARS TO ADMINISTER THE PROGRAM. FOR THIS REASON, STATES AND COUNTIES ARE COMMITTED TO REDUCING ERRORS. IN THE PAST TEN YEARS, STATES AND COUNTIES HAVE MADE GREAT STRIDES IN REDUCING THE ERROR RATE FROM 16 PERCENT TO 8.2 PERCENT. YET, WE ARE CURRENTLY BEING PENALIZED FOR ERRORS IN EXCESS OF 5 PERCENT. WE OPPOSED THE DOLLAR-FOR-DOLLAR PENALTY ON ERRORS IN EXCESS OF FIVE PERCENT AS

PROPOSED BY THE PRESIDENT'S TASK FORCE ON FOOD ASSISTANCE, AND AS CONTAINED IN LAST YEAR'S BILL, H.R. 5151. IN FACT, THE ERROR RATE AMENDMENT TO H.R. 5151 FORCED US TO CHANGE OUR POSITION ON THE BILL FROM STRONG SUPPORT TO OPPOSITION. THAT PENALTY SYSTEM COULD DOUBLE THE TOTAL SANCTIONS ON ISSUANCE ERRORS, SHIFTING $100 MILLION IN COSTS IN THE FISCAL 1987 COLLECTIONS. WE WILL CONTINUE TO OPPOSE THE 3 PERCENT ERROR RATE PROVISION IN THE BILLS INTRODUCED BY SENATORS HELMS AND McCLURE. THAT PROPOSAL IS ANOTHER EXAMPLE OF MANDATING AN ARBITRARY PERFORMANCE STANDARD AS A MEANS OF SHIFTING COSTS.

IN SACRAMENTO COUNTY, WE HAVE BEEN ABLE TO KEEP OUR ERROR RATE AROUND THE FIVE PERCENT LEVEL. THIS WAS ACHIEVED AFTER ALLOCATING A LARGE AMOUNT OF ADMINISTRATIVE RESOURCES TOWARDS CORRECTIVE ACTION. OUR STAFF RECEIVES INTENSIVE TRAINING ON REDUCING ERRORS. YET, I STILL SEE INEQUITIES IN THE CURRENT SANCTION SYSTEM.

NACO CALLS FOR A CHANGE IN THE QUALITY CONTROL SYSTEM. WE SUPPORT REPLACING NEGATIVE PENALTY SANCTIONS WITH POSITIVE INCENTIVES FOR IMPROVEMENT. NACO WOULD FAVOR A FOOD STAMP QUALITY CONTROL BILL FASHIONED AFTER THE AFDC BILL, H.R. 1279, INTRODUCED BY REP. ROBERT MATSUI. SUCH A BILL WOULD SET A NATIONAL ERROR RATE STANDARD WITH PROVISIONS ACCOUNTING FOR ERROR RATE DIFFERENCES BETWEEN STATES. THE FORMULA WOULD CONSIDER DEMOGRAPHIC AND PROGRAM FACTORS KNOWN TO BE ERROR PRONE, INCLUDING:

- THE PERCENTAGE OF EARNED-INCOME CASES IN THE CASELOAD;
- CLIENT CAUSED ERRORS, WHICH STATES AND COUNTIES HAVE LITTLE ABILITY TO CONTROL;

- O POPULATION DENSITY;
- O THE RATE OF INCREASE IN CASELOAD FROM THE PREVIOUS YEAR.

AN IMPROVED QUALITY CONTROL SYSTEM MUST ALSO GENERATE TIMELY ERROR RATE DETERMINATIONS SO STATES AND COUNTIES CAN TAKE APPROPRIATE CORRECTIVE ACTION. QUALITY CONTROL MUST CONSIDER THE NUMEROUS TIMES EACH YEAR THAT ADMINISTRATORS HAVE TO RESPOND TO NEW FOOD STAMP REGULATIONS. IN 1983 ALONE, THERE WERE TWELVE DIFFERENT SETS OF REGULATORY CHANGES THAT WE HAD TO ACCOMMODATE. IN SHORT, A FEDERALLY-IMPOSED PUNITIVE SANCTION SYSTEM DOES NOTHING BUT ERODE WHAT IDEALLY IS A PARTNERSHIP INTO AN ADVERSARIAL RELATIONSHIP WHICH JEOPARDIZES ADMINISTRATIVE EFFICIENCY AND SUPPORT FOR NEEDY PEOPLE. STATE AND COUNTY GOVERNMENTS SEARCH FOR ADMINISTRATIVE IMPROVEMENTS IN THE DELIVERY OF SERVICES AS MUCH AS THE FEDERAL GOVERNMENT OR THE PRIVATE SECTOR. NACO WILL WELCOME AND SUPPORT ANY ACTIVITY IN THIS SUBCOMMITTEE TO MODIFY THE CURRENT QUALITY CONTROL SYSTEM IN THE DIRECTION THAT I OUTLINED.

FOOD STAMP ADMINISTRATIVE BLOCK GRANT

WE STRONGLY OPPOSE THE ADMINISTRATION'S PROPOSAL TO FREEZE THE FEDERAL REIMBURSEMENT OF ADMINISTRATIVE COSTS. IT REPRESENTS A FUNDAMENTAL DEPARTURE FROM THE 50-50 FEDERAL/STATE FUNDING PARTNERSHIP. THIS PROPOSAL WOULD SHIFT ABOUT $40 MILLION TO STATES AND COUNTIES. IT WOULD ALSO HINDER STATES' EFFORTS TO IMPROVE PROGRAM ADMINISTRATION FOR REDUCING ERRORS. WE WOULD BE CAUGHT IN A "CATCH-22" SITUATION. AT THE SAME TIME, WE ARE BEING PENALIZED FOR NOT MEETING UNREALISTIC ERROR RATE STANDARDS, THE

ADMINISTRATIVE RESOURCES NECESSARY TO ASSIST US IN LOWERING ERRORS WOULD BE REDUCED AND HIGHER ERRORS WOULD RESULT.

FREEZING ADMINISTRATIVE COSTS WOULD HAMPER SACRAMENTO COUNTY'S SUCCESS IN KEEPING THE ERROR RATE AROUND 5 PERCENT. WE NO LONGER COULD AFFORD TO TRAIN OUR CASEWORKERS SO INTENSIVELY. FREEZING FEDERAL ADMINISTRATIVE REIMBURSEMENT DOLLARS AT FISCAL 1985 LEVELS WOULD ALSO ARBITRARILY PUNISH THOSE STATES THAT STILL NEED TO MAKE LARGE INVESTMENTS IN IMPROVING PROGRAM ADMINISTRATION AND REWARD STATES THAT HAD HIGH EXPENSES BECAUSE, FOR INSTANCE, THEY INSTALLED A NEW COMPUTER SYSTEM THAT YEAR. MOREOVER, STATES AND COUNTIES WOULD ALSO ESSENTIALLY HAVE TO ABSORB EVEN MORE OF THE COSTS OF RECENT FEDERAL MANDATES IN FOOD STAMP ADMINISTRATION, SUCH AS MONTHLY REPORTING AND RETROSPECTIVE BUDGETING.

THE NACO HUMAN SERVICES STEERING COMMITTEE PASSED A RESOLUTION LAST MONTH OPPOSING THE BLOCK GRANTING OF WELFARE ADMINISTRATIVE COSTS. I HAVE ATTACHED A COPY OF THAT RESOLUTION TO MY TESTIMONY.

MANDATORY WORKFARE

NACO HAS CONSISTENTLY SUPPORTED THE CONCEPT OF ENABLING ABLE-BODIED RECIPIENTS TO WORK FOR THEIR BENEFITS. HOWEVER, WE OPPOSE MANDATORY WORKFARE PROPOSALS. WHILE THE ADMINISTRATION CONTINUES TO CALL FOR LESS FEDERAL MANDATES AND MORE LOCAL CONTROL OF PROGRAMS, IT SEEMS IN THIS CASE TO TAKE THE OPPOSITE POSITION BY IMPOSING MANDATORY WORKFARE.

COMBINED WITH THE PROPOSED CAP ON ADMINISTRATIVE EXPENSES, IMPLEMENTING A MANDATORY WORKFARE PROGRAM WOULD SHIFT ALL OF THE COSTS TO STATES AND COUNTIES. ONLY 4 OF THE ORIGINAL 14 DEMONSTRATION WORKFARE PROJECTS EXIST. THEY SERVE LESS THAN 2,500 RECIPIENTS IN 5 COUNTIES. AS THE SUBCOMMITTEE KNOWS, MOST WORKFARE PROGRAMS HAVE NOT BEEN COST-EFFECTIVE.

WE SUPPORTED THE JOB SEARCH TRAINING PROVISION OF H.R. 5151 WHICH WOULD REQUIRE STATES TO INSTITUTE JOB SEARCH PROGRAMS, BUT WOULD GIVE THEM A LARGE AMOUNT OF FLEXIBILITY IN DESIGNING THE PROGRAM. THE FUNDING INCENTIVE (100 PERCENT FEDERAL FUNDING FOR THE FIRST $50 MILLION INCURRED BY EACH STATE AND NORMAL MATCHING THEREAFTER) WOULD ASSIST US IN DEVELOPING THE PROGRAM. WE STRONGLY RECOMMEND THAT IF THE PROVISION GOES FORWARD, THAT STATE AND LOCAL FLEXIBILITY BE MAINTAINED SO THAT IT DOES NOT EVOLVE INTO A BURDENSOME FEDERAL MANDATE.

BEFORE I DISCUSS EMERGENCY FEEDING PROGRAMS, I WOULD LIKE TO BRIEFLY OUTLINE SOME OF OUR LONG-HELD FOOD STAMP POSITIONS.

- NACO SUPPORTS AUTHORIZATION FOR FULL FUNDING OF THE FOOD STAMP PROGRAM, TO AVOID THE ANNUAL DISRUPTIONS THAT COME WITH THREATENED BENEFIT REDUCTIONS, AND ADMINISTRATIVE UNCERTAINTY. NEITHER THE BENEFICIARIES, NOR STATES AND COUNTIES CAN BEAR THE ADDITIONAL BURDENS THAT WOULD COME FROM UNDERFUNDING THE PROGRAM.
- ELIGIBILITY DETERMINATION, GRANT COMPUTATION AND RECERTIFICATION PROCESSES SHOULD BE SIMPLIFIED AND COORDINATED TO PARALLEL THE AFDC PROCESS, INCLUDING EXTENDING THE $50 DISREGARD OF CHILD SUPPORT PROVIDED TO AFDC RECIPIENTS.

- O NACO OPPOSES OFFSETTING THE SCHOOL LUNCH PROGRAM, CHILD NUTRITION PROGRAMS, AND SUPPLEMENTAL COMMODITIES AGAINST FOOD STAMPS. THESE PROGRAMS ARE ESSENTIAL IN THE NETWORK OF FOOD PROGRAMS. THE FOOD STAMP BENEFIT IS ALREADY SMALL. COUNTING OTHER PROGRAMS AGAINST THAT BENEFIT WOULD FURTHER ERODE THE NUTRITIONAL STATUS OF MANY AMERICANS.
- O NACO SUPPORTS REPEALING THE FEDERAL MANDATE FOR RETROSPECTIVE BUDGETING AND MONTHLY REPORTING. THIS REQUIREMENT ADDS ADMINISTRATIVE COSTS FAR IN EXCESS OF SAVINGS REALIZED, AND SHIFTS FEDERAL ASSISTANCE COSTS TO COUNTIES THAT HAVE TO PROVIDE EMERGENCY ASSISTANCE DURING THE RETROSPECTIVE ACCOUNTING PERIOD. REPEAL OF THE MANDATORY REQUIREMENT WOULD PERMIT STATES THE OPTION OF USING SUCH A SYSTEM, ADAPTED TO THEIR CLIENT CHARACTERISTICS AND SYSTEM NEEDS.

EMERGENCY FOOD AND SHELTER PROGRAMS

AS YOU KNOW, THE FOOD STAMP PROGRAM IS NOT A PANACEA. LAST YEAR, IN A HEARING ON HUNGER CONDUCTED IN SACRAMENTO COUNTY, INDIVIDUALS TESTIFIED THAT HUNGER WAS STILL A SERIOUS PROBLEM. MANY OF OUR FOOD STAMP CLIENTS WHO ARE ALSO RECEIVING AFDC FIND THAT THEIR FOOD STAMPS DO NOT LAST THE ENTIRE MONTH. WE ALSO HAVE FOUND AN INCREASE IN THE NUMBERS OF HOMELESS RECEIVING FOOD STAMPS.

WHILE OUR OVERALL CASELOAD HAS DROPPED 4,000 IN THE LAST FEW YEARS, IT IS REFLECTIVE OF ELIGIBILITY RESTRICTIONS AND NOT NEED. FOR EXAMPLE, OVER A QUARTER MILLION MEALS WERE SERVED LAST YEAR

AT THE 11 PRIVATE SOUP KITCHENS IN SACRAMENTO COUNTY. THAT WAS TWO AND ONE-HALF TIMES MORE MEALS SERVED IN 1983.

NACO IS DEVELOPING A COMPREHENSIVE POLICY STATEMENT ON HOMELESSNESS WHICH EXPANDS OUR CURRENT POLICY SUPPORTING EMERGENCY SHELTERS AND AN ORDERLY DISTRIBUTION OF SURPLUS FOOD TO THE NEEDY. A DRAFT COPY WAS SUBMITTED A FEW WEEKS AGO TO SUBCOMMITTEE STAFF. AS A PAST PRESIDENT OF NACO'S NATIONAL ASSOCIATION OF COUNTY HUMAN SERVICES ADMINISTRATORS (NACHSA), I CAN TELL YOU THAT MANY OF THE ADMINISTRATORS OF THAT ORGANIZATION ARE STILL WRESTLING WITH HUNGER AND HOMELESSNESS. IT HAS NOT ABATED. FOR THIS REASON, NACO OPPOSES ELIMINATION OF BOTH THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) AND THE FEMA FOOD AND SHELTER PROGRAM.

TEFAP

THE $50 MILLION ANNUAL APPROPRIATION FOR TEFAP HAS HELPED DEFRAY THE COSTS OF DISTRIBUTING AND STORING SURPLUS COMMODITIES FOR MANY COUNTIES AND EMERGENCY FEEDING PROGRAMS. THIS PROGRAM HAS BEEN AN INTEGRAL PART OF THE PUBLIC AND PRIVATE VOLUNTARY EFFORT TO REDUCE HUNGER, ESPECIALLY IN THE MORE RURAL COUNTIES.

WHILE WE SUPPORT TEFAP, SOME COUNTIES HAVE HAD DIFFICULTY IN ADMINISTERING THE PROGRAM. FIRST, WE SUGGEST THAT A LARGER PORTION OF TEFAP FUNDING BE SET ASIDE FOR ADMINISTRATIVE COSTS. SECOND, THE USDA REGULATIONS REGARDING ACCOUNTABILITY FOR COMMODITY LOSSES DURING DISTRIBUTION MUST BE REVIEWED. WE EXPECT SMALL LOSSES DUE TO SPOILAGE OR INADVERTENT MISTAKES MADE BY THE VOLUNTEERS DISTRIBUTING THE COMMODITIES. YET, THE USDA HAS BEEN AUDITING THOSE COUNTIES WHOSE PRODUCT LOSS EXCEEDED $2,500 FOR

THE WHOLE YEAR, REGARDLESS OF WHETHER IT WAS A LOSS IN AN URBAN COUNTY DISTRIBUTING HUNDREDS OF THOUSANDS OF POUNDS OF FOOD OR A SMALL RURAL COUNTY. MY COLLEAGUE DAN HUDGINS, SOCIAL SERVICES DIRECTOR IN DURHAM COUNTY, NORTH CAROLINA WILL TESTIFY TOMORROW ON THIS PROBLEM. NACO SUPPORTS HIS TESTIMONY ON THE ISSUE.

FEMA PROGRAM

THE FEMA EMERGENCY FOOD AND SHELTER PROGRAM IS ALSO ESSENTIAL TO PARTLY MEET THE CURRENT HOMELESS PROBLEM. WHEN ONE USES THE MOST CONSERVATIVE ESTIMATES ON THE NUMBER OF HOMELESS MADE BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND COMPARES IT TO THE NUMBER OF EMERGENCY SHELTER BEDS, ONLY ONE-THIRD TO LESS THAN ONE-HALF OF THE HOMELESS HAVE A BED AT NIGHT. NACO ESTIMATES THAT USING THE CONSERVATIVE HUD FIGURE OF 250,000 HOMELESS, THE TOTAL FEDERAL ASSISTANCE OVER THE PAST TWO YEARS APPROPRIATED FOR THE EMERGENCY FEMA PROGRAM AMOUNTS TO $1.15 PER DAY PER HOMELESS INDIVIDUAL. THE FEDERAL GOVERNMENT SHOULD CONTINUE AT LEAST THIS LEVEL OF INVOLVEMENT.

NACO STAFF HAVE WORKED CLOSELY WITH THE NATIONAL UNITED WAY OF AMERICA IN PUBLICIZING THE FEMA PROGRAM AND PROVIDING TECHNICAL ASSISTANCE TO THOSE COUNTIES IN WHICH A LOCAL VOLUNTARY BOARD RECEIVED FUNDING. IN MOST CASES, THE VOLUNTARY AGENCIES HAVE HAD THE LEAD RESPONSIBILITY FOR THE PROGRAM, WITH COUNTY GOVERNMENT PROVIDING SUPPORT FOR THEIR EFFORTS. IN RELATED EFFORTS, COUNTIES OFTEN OPERATE OR PARTLY FUND SHELTERS, LEASE BUILDINGS FOR PRIVATE PROVIDERS OR GIVE EMERGENCY VOUCHERS FOR HOTELS.

THE PROPOSED ELIMINATION OF TEFAP AND THE FEMA EMERGENCY FOOD AND SHELTER PROGRAM SEEMS TO INDICATE THAT THE ADMINISTRATION IS

ABANDONING ITS RESPONSIBILITY TO ASSIST SOME OF OUR MOST VULNERABLE INDIVIDUALS. COUNTY OPERATED GENERAL ASSISTANCE PROGRAMS AND COMMUNITY-BASED PROVIDERS WILL STILL BE THERE TO ASSIST THOSE INDIVIDUALS, BUT THE PARTNERSHIP WITH THE FEDERAL GOVERNMENT IN MEETING EMERGENCY FOOD AND SHELTER NEEDS WILL HAVE BEEN BROKEN.

MR. CHAIRMAN, THIS CONCLUDES MY REMARKS. NACO LOOKS FORWARD TO WORKING WITH THIS SUBCOMMITTEE ON REAUTHORIZING THE FOOD STAMP ACT. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

(Attachments follow:)

Proposed Resolution on

The Welfare Administration Block Grant

WHEREAS, the Administration proposes to enact single or multiple capped block grants to states and counties for administering the Aid to Families with Dependent Children Program, Medicaid and Food Stamps; an

WHEREAS, an arbitrary capped administrative amount for these programs, shifts to states and counties the costs of caseload growth, cost of living increases and court decisions and may deter them from making larger investments in automating their systems; and

WHEREAS, the proposal by limiting available administrative resources could reverse the improvements states and counties are making in reducing administrative errors in payments of benefits; and

WHEREAS, the American County Platform opposes the block granting of human services entitlements; and

WHEREAS, the National Association of Counties views the estimated $140 million in federal savings for fiscal 1986 as a direct cost shift to counties and states;

THEREFORE, BE IT RESOLVED, that the National Association of Counties oppose single or multiple capped block grants for AFDC, Medicaid, Food Stamps and other entitlements, and urges the federal government to continue the 50 percent federal and 50 percent state funding partnership of administrative costs.

Passed by Income Maintenance Subcommittee
March 3, 1985

Passed by the Human Services Steering Committee
March 3, 1985

NACo
STATEMENT ON THE FISCAL 1986 BUDGET

The nation's county governments support the reduction of the federal deficit. We recognize the critical need for a long-term deficit reduction program, and we stand ready to work with the Congress and the Administration to develop such a program.

Counties have actively participated in developing a solution to the nation's fiscal problems. Since the late 1970s, the National Assocation of Counties (NACo) has supported cuts in certain federal domestic assistance programs and has worked with the Administration to share the burden in federal attempts to balance the national budget.

In accepting our fair share of this burden, our efforts have been guided by the Association's policy statement on decentralization, which seeks to recognize and preserve the role of general purpose local governments as the principal public service delivery unit.

We reaffirm these principles and continue to support decentralization proposals that incorporate them.

Recognizing the need of each level of government to share the burden in decreasing the national deficit, NACo supports a freeze for the fiscal year 1986 federal budget as opposed to deep cuts in individual program areas.

However, NACo maintains its position that means tested assistance programs critical to the health and welfare of the poor, sick and elderly should not be subject to a freeze.

In addition, NACo supports 1986 funding levels that protect the capacity of state and local governments to meet mandates imposed by the federal government and federal and state courts. NACo supports adjusting mandates to accommodate available funding.

Finally, NACo maintains that budget reductions must be carefully considered within the context of federal tax policy changes. Changes in federal tax expenditures or efforts to raise revenue should not preempt the tax and financing capacity of local government.

We further believe that reforms in tax policy should enhance local government revenue capacity so that counties can assume the new responsibilities generated by federal and state government decentralization and by mandates initiated by the federal and state government and the courts.

January 14, 1985

NACo 1986 Budget Priorities

Top Priorities

1. General Revenue Sharing (GRS)

NACo supports continuation of full funding of the GRS program at $4.6 billion. This funding is essential to counties in providing education, public safety, health care, and other basic services.

2. Medicaid

NACo urges that the funding mechanism be retained, with no cuts in the federal match. That will preserve the entitlement nature of the program and allow for the provision of health care based on need. Cuts in Medicaid, the only public health insurance program for the poor, further shifts costs to all counties and jeopardizes the viability of public health care facilities.

3. Community Development Block Grant (CDBG)

NACo supports current funding of $3.5 billion. More than 100 counties receive entitlement grants and hundreds more are funded through the state program. Increasing participation, rising costs, and growing demands resulting from cuts in other social programs have already impeded efforts to rehabilitate blighted neighborhoods and housing for the poor.

4. Rural Programs

Poverty, poor living conditions and economic stagnation are most pervasive in rural areas where the local tax base and revenue raising capacity are severely limited. Farm failures and the inability to attract non-farm industry as a result of a lack of facilities to support such industry creates serious problems for rural community economic self-sufficiency. Consequently, NACo supports the retention of adequate funding of those farm and development programs that encourage economic growth and stability in rural areas, including the continuation of the Small Business Administration and FmHA programs.

5. Mass Transit

NACo supports federal assistance to mass transit at approximately $4.5 billion (as authorized in the Surface Transportation Assistance Act of 1982). Urban, suburban and rural counties depend on these funds for the provision of basic transportation services to the general public and special populations. Cuts would result in increased operating costs and fare increases.

* * *

Other Priority Interests

Assisted Housing

As homelessness and overcrowding continue to increase, it is essential that the $9 billion current funding level for assisted housing be retained. Housing has already taken drastic cuts in previous budget years.

Employment Training Programs

NACo supports maintaining at least the current level of funding for jobs programs targeted to needy individuals. We therefore oppose terminating the $1.4 billion for Job Corps and funding reductions in the Dislocated Worker and National Employment and Training Programs. NACo further supports continuation of the AFDC Work Incentive (WIN) program, as the only federal support specifically for welfare recipients.

Environmental Mandates

Counties are faced with the devastating cost of hazardous waste clean-up, water pollution control, and other mandates imposed by the federal government or the courts. Funding to compensate these costs should be protected and adequate to meet the mandates.

Highways and Bridges

Although federal assistance to counties comprises a small percentage of county road and bridge budgets, it is important to maintain the existing urban and secondary road and on-and-off system bridge programs. These systems are vital to interstate commerce.

Law Enforcement

State and local governments receive a very small percentage of the current $3.5 billion Justice Department budget, yet handle 95 percent of the criminal justice workload. Most county funds are tied to fixed costs, leaving little or nothing to replicate programs of proven effectiveness. NACo strongly opposes any cuts to the Justice Assistance, Juvenile Justice, Runaway Youth, and Exploited and Missing Children programs.

Medicare

NACo supports efforts to control costs, in light of the worsening fiscal situation of Medicare's Hospital Trust Fund. However, proposed cuts would directly affect more than 1000 county public hospitals and skilled nursing facilities that are the major providers of care to the low income elderly. Reductions in payments to all providers for low income elderly shift costs to Medicaid and county budgets. Medicare cost containment proposals should take into account the special needs of public facilities serving a disproportionate share of low income elderly.

Payment-in-Lieu-of-Taxes (PILT) and National Forest Payments to Counties

NACo opposes any cuts in PILT funding, a program that minimally compensates counties for the loss of tax base from tax-exempt federal lands. Twenty-five percent of all national forest receipts go to counties for roads and schools. NACo supports continuing national forest payments under the current 25 percent program.

Welfare Administration and Penalties

Counties oppose a capped block grant for administering federal entitlement programs such as AFDC, Medicaid or food stamps since the costs of increasing caseloads would be shifted to state and local governments. More stringent error rate penalties also would shift costs of programs that are national responsibilities.

WIC

NACo supports full funding of the supplemental nutrition programs for women, infants, and children (WIC). More than 2000 county health departments administer WIC. Counties would have to supplement program cuts or drastically reduce services. In terms of health cost containment, WIC is an effective investment for reducing future outlays at all levels of government. By reducing low birth weights, infant mortality and mental retardation, each $1 spent on nutritional supplements and education (WIC) will result in a savings of $3 in future Medicaid costs.

NATIONAL COMMUNITY ACTION FOUNDATION
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May 1, 1985

Honorable Leon E. Panetta, Chairman
Subcommittee on Domestic Marketing,
Consumer Relations and Nutrition
Room 1301, Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman,

On April 16, I testified before the Subcommittee on Domestic Marketing, Consumer Relations and Nutrition on behalf of the National Community Action Foundation and the Community Action Agencies it represents. I am now requesting that the enclosed document which demonstrates the dependency of an array of Federal Programs on Community Services Block Grant (CSBG) monies and Community Action Agencies as vehicles for delivering services be entered as part of my testimony for the Record.

In my earlier testimony I indicated that if the Community Services Block is terminated, hundreds of CAPs would close their doors and that this would have an adverse effect on numbers of programs for the poor. We have since canvassed the State Offices that administer the Community Services Block Grant and are able to report the following information.

With State Offices reporting from 46 states, we are told that their best estimates are that 535 of the 873 CAAs in those states will terminate within a year after the elimination of CSBG.

We then asked for information concerning which programs in each state would be terminated or severely curtailed due to the absence of CSBG or statewide coverage by CAPs. The compilation of the most frequently mentioned programs is enclosed to be made part of the Record.

As you can see, food programs, in general, were the most frequently mentioned that would be terminated. And, of the thirty-six states reporting, nineteen stated that the Commodity Food Distribution Program would either cease functioning in the state or in parts of the state — usually the poorest parts — or its services would be severely reduced.

We are providing for the Record, also a sense of what each State Office said in reference to the potential elimination of the Community Services Block Grant and its effect on Commodity Food Distribution.

Thank you for your attention to this area of vital need for low income people.

Sincerely,

David Bradley

David Bradley

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April 30, 1985

Antipoverty Programs That Would Be Terminated Or Severely Reduced If The Community Services Block Grant (CSBG) Is Terminated

The National Community Action Foundation conducted a telephone survey this month of the State Offices that administer the Community Services Block Grant at the state level. The purpose of the survey was to determine what would be the impact of the termination of the Community Services Block Grant in each state.

One of the questions asked was: If the Community Services Block Grant is terminated which programs in your state would be terminated and which would be severely curtailed? We currently have responses on this question from 36 states; we anticipate other states are still compiling their data.

On the following page is a listing of the most frequently mentioned programs. In addition to these major programs or categories, an array of innovative local programs were mentioned that do not properly fit into any of these areas so they have not been included. For instance, a number of energy conservation-related programs that are neither LIHEAP or Weatherization, and programs geared to working with families to achieve self-sufficiency.

In general, States indicated that the populations that would be hardest hit if CSBG is eliminated are the rural poor and the elderly.

Programs	Number of States Reporting Termination or Severe Cutbacks without CSBG
Commodity Food Distribution	(Most would be terminated. Many states report no capacity to provide this program without CSBG and/or CAPs) 19
Other Food Programs Food Pantries, Garden and Greenhouse Projects, Elderly Feeding Programs, Meals On Wheels, WIC and others	(Most would be terminated) 28
Transportation Programs Often these are rural transportation systems in areas where there are no other transportation services	(Most would be terminated) 17
Housing Services	(Most terminated) 23
Employment Programs	(Most terminated) 20
Education Programs	(Most terminated) 10
Health Care Programs Includes Alcohol and Drug Abuse Programs	(Most terminated) 12
Emergency and Natural Disaster Assistance Several states report that they either have no other funding than CSBG and/or no other agencies other than CAAs to take over emergency and natural disaster assistance	(Most terminated) 12
Economic Development	(Most terminated) 10
Outreach Services	(Most terminated) 10
Consumer Education	(Most terminated) 7
Head Start	(Some terminated, most severely cut back) 12
LIHEAP	(Most severely cutback) 17
Weatherization	(Some terminated, most severely cutback 22

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The Impact Of The Loss Of The Community Services Block Grant On The Community Food Distribution Program

The National Community Action Foundation conducted a telephone survey this month of the offices that administer the Community Services Block Grant at the State level. The purpose of the survey was to determine what impact the termination of the Community Services Block Grant would have in each state.

One of the questions asked was, If the Community Services Block Grant is terminated in your state, which programs in your state would be terminated and which would be severely curtailed?

With 36 states responding, 19 reported that a loss of CSBG and/or CAAs would either terminate or severely reduce the Commodity Food Distribution Program. The sense of each of these 19 states remarks is listed below.

Alabama: The Commodity Food Distribution Program would probably be terminated in at least half of the counties.

Arkansas: The Commodity Food Distribution Program would be terminated.

Georgia: CAAs operate the Commodity Food Distribution Program and utilize CSBG funded personnel to generate the volunteers that distribute the food. Without CSBG funds there will be no agencies in Georgia to take over this program.

Idaho: Since CSBG agencies distribute USDA Temporary Emergency Food Assistance commodities, that program would cease to operate within the state.

Kansas: CAAs have established indirect cost rates and these show that CSBG provides a "fair share" of $743,626 to other federal and local programs. These are: Head Start, Weatherization, Commodity Food Distribution and other federal and local programs.

Kentucky:	The Commodity Distribution Program would be terminated.
Louisiana:	The Commodity Food Distribution and Emergency Food Program would be either totally eliminated or severely reduced. CSBG dollars pay for almost all of the costs for the operation of these programs.
Maine:	CAAs could not manage the Commodity Food Distribution Program for Maine; it is unlikely that another agency would take them over.
Maryland:	Specific programs that would be terminated without CSBG: the Maryland Food Committee which organizes Food Banks and Surplus Commodity Food Distribution throughout the state.
New Hampshire:	The Surplus Commodity Distribution Program would be terminated.
New Mexico:	The CSBG funded programs that would experience a drastic cutback: Commodity Distribution.
New York:	CAAs could no longer fund commodity fund distribution. While it is likely that counties would take over this program, a loss of volunteer services and a decrease in efficiency would result.
Oklahoma:	Since the CAAs provide the only social service delivery system in Oklahoma, the following program would be eliminated - Food Distribution.
Pennsylvania:	The loss of CSBG would virtually eliminate the Commodities Distribution Program.
Rhode Island:	Funded programs such as Commodity Food Distribution and Fuel Assistance would be disrupted since there are no other agencies to readily pick up these services.
Texas:	The Commodity Surplus Distribution Program would be eliminated.
Vermont:	Commodity Food Distribution — without CAAs to coordinate this program, the state would have to find other contractors, resulting in less frequent distributions and less eficient handling.

ARCHDIOCESE OF NEW ORLEANS
OFFICE OF COMMUNITY AFFAIRS
2908 SOUTH CARROLLTON AVENUE
NEW ORLEANS, LOUISIANA 70118

April 16, 1985

Vicar for Community Affairs:
Rev. Roger P. Morin

U. S. House of Representative,
Committee on Agriculture

Honorable Leon E. Panetta, Chairman
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Longworth House Office Building
Washington, D. C. 20515

Chairman Panetta and Members of the Subcommittee:

I am Father Roger P. Morin of New Orleans, Louisiana. I am the Vicar for Community Affairs of the Roman Catholic Archdiocese and, as such, I am the representative of the Most Reverend Philip M. Hannan, Archbishop of New Orleans. The Office of Community Affairs is a department within the organizational structure of the archdiocese. The department is responsible for human service, social service, and community activities in the archdiocese. The community affairs office includes the programs and services of our Office of the Social Apostolate, Catholic Charities, and the St. Vincent de Paul Society. All three of these departmental divisions are involved in offering emergency food assistance services to the community. The activities of all three of these divisions are quite extensive; major food distribution activities are conducted primarily by the Office of the Social Apostolate.

The Office of the Social Apostolate has been directly involved in the distribution of U. S. Department of Agriculture commodities since 1970. I have been personally involved in the commodity distribution activities since that time. The programs for food distribution are now under the direction of Mr. Gregory Ben Johnson, Director, Archdiocesan Social Apostolate.

The Commodity Supplemental Food Program (CSFP) in New Orleans, initiated in 1970, was developed through the cooperative efforts of the State of Louisiana, the City of New Orleans, and the Archdiocese. The local agency is the City of New Orleans Health Department and the distribution agency is the Archdiocesan Social Apostolate. The state agency, at present, is the Louisiana Department of Health and Human Resources. The CSFP for women, infants, and children is presently serving approximately 20,000 participants per month. The Archdiocese maintains distribution centers in ten locations located within poverty areas of the city.

The Elderly Commodity Supplemental Food Program (ECSFP) was begun in New Orleans in December of 1982. The program, providing food to low income senior citizens is referred to by U. S. D. A. as the Elderly Feeding Pilot Project. The elderly pilot project was undertaken through the cooperative effort of the same entities mentioned in the preceding paragraph. Other pilot programs, distributing supplemental food to the elderly, are also operated in Detroit, Michigan, and Des Moines, Iowa. All three cities were already involved in the distribution of supplemental food to women, infants, and children through the CSFP program. The Elderly Commodity Supplemental Food Program is easily operated as an adjunct to the already existing capability for food distribution. The New Orleans pilot program for the elderly is now serving 8,000 low income senior citizens per month.

In my testimony before this same subcommittee on April 26, 1984, I reported on the tremendous demand and need for food among our elderly poor. The poorest of the poor have been given priority since the inception of the program. In the earliest testimony before the subcommittee, the New Orleans' caseload was at a participation level of 5,800 very poor senior citizens. It was mentioned that several thousand eligible senior citizens were on a waiting list. Even at the current caseload of 8,000, there are still thousands of elderly poor waiting to be served. We have been repeatedly advised that the number cannot be increased. There is an absolute "freeze" on the allowed caseload and there have been more recent indications that the current number of participants should be reduced.

It should not be necessary to remind the U. S. Department of Agriculture that New Orleans is among the poorest cities in the country. The rate of poverty in New Orleans is 26.7% of the population. The percentage of the population translates into 147,058 persons. All food assistance programs presently in operation do not reach all of the truly needy nor do the programs provide sufficient assistance to ensure proper nutrition and good health. It may seem unreasonable to say so, but, the current supplemental food programs provided through distribution of commodities is still not enough of a supplement. While both of the food programs, Commodity Supplemental Food Program for women, infants and children and the Elderly Supplemental Food Program, do provide food assistance, it is still inadequate.

As we review the numbers of participants in both of the supplemental food programs, we see that there are a total of 28,000 program participants. Calling to mind, once again, that there are 147,058 people in New Orleans who live at or below the poverty level, we note the great disparity that exists between the level of need and the food assistance provided. The most current data available (Polk 1982-1983) indicates that this poverty sector of the population comprises 55,108 households. The average income in these poverty households is $3,724. There should not be any doubt about the degree of need that exists.

The State of Louisiana, like the others in the country, has been participating in the Temporary Emergency Assistance Program (TEAP). The TEAP is more familiarly referred to as the "cheese and butter, etc., distribution." While looked upon disparagingly by some people, we can easily say that the nationwide distribution of surplus commodities is certainly of great benefit to poor people. This testimony should be all the more valid because of our vast experience in distributing food to poor people. This is so because those of us directly involved in the administration and management of commodity distribution programs are very much aware of the unmet need that exists. TEAP is certainly, in the truest sense of the words, "emergency assistance."

In the State of Louisiana, the TEAP carries out its distribution on a quarterly rather than a monthly basis. This method provides help to the eligible recipients once every three months. If distribution were carried out on a monthly basis, then only one-third of the eligible population could be served each month. Even with this model of quarterly distribution, there is still not enough money available to cover administrative expenses. The 5% administrative funding is provided to local level agencies administering the distribution of the surplus commodities. At the local level in the various Civil Parishes of Louisiana, the administering agency must enlist numerous private and public agencies that will provide volunteers for the actual distribution of the food. It appears that tremendous voluntary activity is essential for the distribtuion process.

The distribution of emergency assistance food in New Orleans is quite substantial because approximately one-third of Louisiana's total population resides in the metropolitan area. The five Civil Parishes, Orleans, Jefferson, Plaquemines, St. Bernard and Saint Tammany, account for 33.1% of the total amount of emergency food distributed in the State. About one-half of the amount distributed in the metropolitan area, 14.13% is distributed within New Orleans. All persons served through the TEAP do receive the cheese and the butter. The other items, corn meal, flour, honey, non-fat dry milk and rice are distributed as long as the supply lasts. These five items are in short supply and the allocation would need to be increased in order to serve all those persons who have been certified as eligible to receive the emergency assistance commodity food items.

It has already been mentioned several times that the emergency food items are distributed to those persons who have been certified as eligible to receive emergency assistance commodities. Persons are certified as eligible on the basis of the following criteria:

1. Applicant must be a resident of Orleans Parish.
2. Applicant must meet the income guidelines established for participation. The income guidelines are graduated in accordance with the number of persons in the household.
3. Applicant household is composed solely of food stamp recipients.
4. Applicant receives Supplemental Security Income (SSI).
5. Applicant household receives general welfare assistance or aid to families with dependent children (AFDC).

After meeting established criteria, the applicant must produce some documentation as verification of the eligibility status. Possible documents are many and varied but assuredly do verify the information provided on the application form.

The local Community Action Agency, Total Community Action (TCA) has held registration sessions at seven locations. At a registration center, the application is completed and the documentation verified. If certified as eligible, the proper identification card (only one per household) is issued. The green identification card must be brought to a distribution center on the specified date that has been announced for TEAP food distribution.

The preceding information on eligibility and certification is offered in response to critics who describe the TEAP as a "giveaway of free food to anyone who asks for it." As you can see, there is a well defined procedure that guides the distribution of TEAP. All of the private and public social service agencies participating in TEAP are required to follow the established procedure. The process of application, verification, certification and distribution of identification cards ensures that the emergency assistance food will be given to those persons who truly need it. The TEAP is achieving its goal of providing emergency assistance, in the form of food, to certified eligible individuals who are poor.

There has been much discussion about the administrative expense related to the distribution of the commodities made available through the TEAP. Of the $50 million dollars appropriated for the program nationwide, the State of Louisiana receives a sum of approximately $1.2 million dollars. It is far more noteworthy that the State of Louisiana Department of Education reports that the small amount of administrative funding allows for the distribution of food that is worth more than $16 million dollars. The total value is derived from U. S. Department of Agriculture figures on the cost of the food. We should look at the benefit that is being provided to thousands of poor and hungry people through the TEAP. Thousands of malnourished and/or hungry people are being provided with food that is sorely needed. If a value were to be placed on the in-kind contributions and the volunteer services on the local level, the actual cost of the distribution could very well be doubled.

There are those who would say that New Orleans has been greatly blessed with U. S. Department of Agriculture food assistance. While we are aware of the resources that have been provided to us through the Commodity Supplemental Food Program for women, infants, and children, the Elderly Commodity Supplemental Food Program, and TEAP, we can still verify unmet need on the local level. Information has been gathered from private community groups that provide emergency food assistance. The information gathered indicates that there are still thousands of households requiring emergency assistance.

The City of New Orleans has two substantial agencies that provide emergency food assistance. The Community Food Distribution Center, known as the N. O. Food Bank, has been in operation for more than a decade. According to the 1984 Report of the N. O. Food Bank, the number of requests for emergency food assistance increased 53% over the 1983 figure. During 1984, while the already mentioned U. S. Department of Agriculture food assistance programs were in operation, The Food Bank served 33,611 individuals with a three-day supply of emergency food. With all publicly assisted programs in operation, The Food Bank served 11,689 more people in 1984 than in 1983. Unmet need is obvious. Emergency assistance provided by the N. O. Food Bank is only a part of the story in New Orleans. There is another private food assistance program, Second Harvest of Greater New Orleans, Inc., also providing food assistance to thousands of New Orleanians.

Second Harvest of Greater New Orleans, an affiliate on the National Second Harvest Network, has been in existence since 1982. The agency has experienced an ever-increasing demand for emergency food. The Second Harvest warehouse serves not only emergency food box programs and food pantries to help individuals and families; it also serves soup kitchens, shelters, agencies and institutions that provide on-site meals to poor and hungry people. Over the past few years, the number of persons seeking food and the number of homeless seeking meals, has increased dramatically. At present, Second Harvest in New Orleans is distributing more than 50,000 pounds of food a month to more than 90 programs, agencies, and institutions. All of the agencies are private non-profit 501 (c) (3) charities that serve low income and poor people. Thousands of meals are served everyday with food that is donated to Second Harvest from the private business sector. Second Harvest food is donated by the various sectors of the food industry. The food comes from growers, processors, manufacturers, brokers, wholesalers and retailers.

I point out the foregoing to highlight the fact that private businesses in the United States are aware of the problem of hunger that presently exists.

The Community Food Bank in New Orleans and Second Harvest of New Orleans offer us positive proof that the publicly funded food assistance programs are still not reaching all of the hungry poor. While it is encouraging to note the heightened awareness of private individuals and private businesses, it is important to note that this is no time to be talking about the abolition of food assistance programs. This is not the time to talk about reduced funding for food and nutrition programs. The federally funded food assistance programs that are presently in existence are obviously inadequate in meeting the need that exists.

I do respectfully urge the distinguished members of this Subcommittee to recommend to the full U. S. House of Representatives' Committee on Agriculture that food assistance programs presently in operation be allowed to continue serving the needs of the poor and the hungry in America. I further respectfully urge that sufficient funding be provided to cover the legitimate administrative expenses that are incurred in the operation of these programs. Any reduction in the distribution of food or the funding to distribute the food will be a major setback for all efforts that have been directed at alleviating malnutrition and hunger in America. If we do not feed people now, we will pay the consequences later.

With my sentiments of appreciation for the opportunity to appear before this Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, I remain,

Respectfully,

Roger Morin

Rev. Roger P. Morin
Vicar for Community Affairs
ARCHDIOCESE OF NEW ORLEANS

bread for the world
a christian citizens' movement in the usa

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of the Reorganized Church of Jesus Christ
of Latter-Day Saints (RLDS)
Frederick Hilborn Talbot
Resident Bishop, A M E Church, Georgia Area
Margaret M. Weber
BFW Coordinator, Detroit Metro Council
Jack Woodard
Rector, St Stephen and the Incarnation
Episcopal Church, Washington, D C
James Wright
U S Representative from Texas

Testimony of

Bard Shollenberger
Policy Analyst on Domestic Hunger
Bread for the World

on behalf of

Bread for the World

and

Interfaith Action for Economic Justice

before the

Committee on Agriculture
Subcommittee on Domestic Marketing,
Consumer Relations and Nutrition
of the U.S. House of Representatives

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Mr. Chairman and Members of the Subcommittee, my name is Bard Shollenberger and I am a Policy Analyst on Domestic Hunger with the national anti-hunger organization Bread for the World. I am testifying today on behalf of Bread for the World and Interfaith Action for Economic Justice.

I would first like to thank you for the opportunity to testify before this Subcommittee on the reauthorization of the Food Stamp Program, the Temporary Emergency Food Assistance Program, and other federal food assistance programs. We appreciate the leadership that this Subcommittee has taken to support the programs, which have helped to reduce the incidence of hunger in this nation of abundance.

Bread for the World is a nationwide Christian citizens' movement whose 47,000 members are actively involved in seeking public policies to eliminate hunger in this nation and throughout the world. We have a long history of working to improve the federal response to the problems of hunger and poverty in the United States. Food assistance programs are but one part of a more comprehensive strategy to end hunger and poverty in this nation. Bread for the World is also involved in other systemic efforts such as tax relief for poor people, job training, and employment policies.

Interfaith Action for Economic Justice is a coalition of 25 national Protestant, Roman Catholic, Jewish and ecumenical agencies that work together on federal legislation and policies seeking justice for poor and hungry people. While Interfaith Action for Economic Justice speaks only for the coalition as a whole and not for the religious bodies that participate in its work, its testimony is consistant with the public policy recommendations adopted by those bodies. Bread for the World is one of the members of Interfaith Action for Economic Justice.

Earlier this year, Interfaith Action for Economic Justice and other national religious bodies joined together to issue a Call to End Poverty in the United States. The Call challanges Congress to address the deepening problem of domestic poverty and offers five steps to begin the process:

- Create jobs in the public sector for teenage and re-entry job seekers and the long-term unemployed;
- Develop economic growth strategies that reach communities not affected by the recent economic recovery;
- Remove barriers to employment for people who want to join or return to the labor market;
- Strengthen income and in-kind assistance programs (such as food, housing, and health) for people unable to earn an adequate income for themselves or their families;
- Reform the tax code to eliminate the tax burden borne by poor people.

I would appreciate it if our testimony and additional information could be included in the record in their entirety as I intend to use my time to highlight several key issues.

Over the last several years, we have seen a dramatic and tragic increase in the number of hungry people in this nation. It has been documented and reported again and again. Major studies have been completed by the United States Conference of Mayors, the U.S. Department of Agriculture, the Food Research and Action Center, and the President's Task Force on Food Assistance, to name but a few. To these have been added numerous state-wide and local reports confirming that there are hungry people, that their numbers are increasing and that the need for assistance continues to grow.

Bread for the World groups throughout the nation have been involved in conducting hunger surveys in their own communities as part of our Hunger Watch USA project. Over thirty groups have completed survey which were part of our report released in September 1983. These surveys concluded that hunger was increasing in these communities due in part to funding reductions in federal food assistance programs. There are currently Hunger Watch USA projects underway in St. Louis, Memphis, Minneapolis, and other areas of the country.

Although great strides were made in reducing hunger in America in the 1970s, hunger has been a growing problem since 1981. During this time, our nation has suffered through major economic dislocations, the largest increase in poverty since records have been kept, and major reductions in programs vital to helping meet the basic needs of people.

During these last four years, federal food and nutrition programs for poor people have failed to keep up with the rising tide of hunger. Funding for these programs has been reduced by more than $12 billion--$7 billion for food stamps alone--causing millions of people to lose food and nutritional benefits and other to exist on less than adequate diets. By cutting these programs at a time when economic recession, high unemployment and the numbers of poor people were increasing, the government did exactly the opposite of what was needed to counteract the growing problem of hunger and malnutrition in the United States. Since then, although this Subcommittee and the House of Representatives has acted positively to respond to these problems, little has been accomplished to reverse this alarming trend.

In February, the Physician Task Force on Hunger in America reported that hunger is a national public health epidemic affecting at least twenty million people. In addition, they found that hunger has returned to America largely because the programs which virtually ended hunger in the last decade have been weakened. They concluded that Congress must take immediate action to strengthen our food assistance programs to reduce hunger in America.

We agree with the findings and recommendations of the Physician Task Force. It is clear that hunger is a major problem in this country. It is also clear what must be done to correct the problem. We believe that adequately funded and effectively administered federal food and nutrition programs are vital resources that can be successful in eliminating hunger in the United States.

It is for these reasons that Bread for the World and Interfaith Action for Economic Justice have officially endorsed and are actively supporting the Comprehensive Nutrition Assistance Act of 1985 (H.R. 1856). This bill, introduced on April 1 by Representative Leland and ten other Representatives--including Chairman Panetta--proposes realistic improvements in food assistance programs that would make a positive contribution toward reducing hunger and malnutrition in the United States. The bill has the support of numerous national organizations and religious bodies (see attached list of organizational endorsers).

The Comprehensive Nutrition Assistance Act of 1985 incorporates the School Lunch and Child Nutrition Act Amendments (H.R. 7) and parts of the Hunger Relief Act of 1984 (H.R. 5151)--both of which passed the House last year by overwhelming margins but were not considered by the Senate. H.R. 7 was reintroduced on January 3 by Representative Hawkins, Chairman of the Education and Labor Committee.

Because the Comprehensive Nutrition Assistance Act addresses some programs outside of the jurisdiction of this Subcommittee (child nutrition, WIC, etc.) I will confine my comments to those provisions of the bill related to the Food Stamp Program and the Temporary Food Assistance Program. It is our hope that the Subcommittee will consider thoughtfully and act favorably upon these provisions as well as our other recommendations for these and other programs.

Food Stamp Program Provisions of the Comprehensive Nutrition Assistance Act

The Food Stamp Program provisions of the Comprehensive Nutrition Assistance Act of 1985 will help restore equity within the program by reducing restrictive eligibility requirements and by increasing benefits to program participants. Recent budget cuts have restricted eligibility so severely that many poor people are not participating in the program. Currently, only 57.9 percent of those eligible are participating in the program according to a study by the Center on Budget and Policy Priorities. The cuts have also limited benefits and many people are finding that their food stamps and other resources simply do not last through the month. Current benefits average 49.6¢ per person per meal.

The Food Stamp program provisions of the Comprehensive Nutrition Assistance Act of 1985 are outlined below and a more detailed analysis of them, as well as other program improvements, are provided in our statement for the record:

- increase the earned income deduction from 18 percent to 20 percent of earned income;

- separate Excess Shelter and Dependent Care Deduction and raise their caps to $175 and $160 per month respectively
- increase the financial resources limit from $3,000 to $3,500 for households with two or more persons, at least one of whom is age 60 or older; and from $1,500 to $2,250 for all other households;
- raise the allowable excess medical deduction for the elderly and disabled to $35 or 5 percent of monthly income, whichever is less;
- increase the basis for determining food stamp allotments to 101 percent of the value of the Thrifty Food Plan;
- permit states to operate an optional monthly reporting and restrospective budgeting system.

Temporary Emergency Food Assistance Program

The Comprehensive Nutrition Assistance Act of 1985 would reauthorize and provide additional funding for the Temporary Emergency Food Assistance Program.

During fiscal years 1983 through 1985, the program was authorized and funding of $50 million was appropriated to support states and local organizations providing emergency food assistance and distributing surplus commodities to poor people. These organizations include food banks, soup kitchens, shelters for the homeless, churches and community groups. The funding provided through the program is available to help defray the cost of storage, transportation, and distribution of surplus commodities.

Many of the members, congregations and religious organizations affiliated with Bread for the World and Interfaith Action for Economic Justice are actively involved in providing emergency food assistance to families and individuals--many of whom are not participating in other food assistance programs or whose food stamp and other resources simply do not go far enough in providing an adequate diet. Many of these emergency food providers tell us that they are unable to keep up with the demand for food in their communities and that funds available through the Temporary Emergency Food Assistance Program do not come close to meeting their true costs associated with surplus commodity distribution. In addition, many areas remained unserved or underserved by the program.

Additional funding should be provided for the Temporary Emergency Food Assistance Program to help assure that surplus commodities can continue to be provided to people in need and to more adequately support the states and organizations providing this much needed service. Continued funding restrictions on the program would severely hamper this largely voluntary effort. The Comprehensive Nutrition Assistance Act of 1985 would increase funding for the program and would target funds to unserved areas--particularly rural areas. We support the continuation, increased funding and targeting of this provision. We also urge that an additional proportion of available funds be channeled to emergency food providers operating at the local level.

These and the other provisions of the Comprehensive Nutrition Assistance Act of 1985 will make important and positive steps toward alleviating hunger in the United States. There are, nevertheless, other program improvements that could be made in the Food Stamp Program, the Temporary Emergency Food Assistance Program, and other programs within the jurisdiction of this Subcommittee. We have included an analysis of some of these provisions as part of our attached statement for the record. We believe that these provisions can provide a vital contribution in the effort to end hunger in America.

Congress now has the opportunity to act on these legislative proposals that can help to begin to address the food and nutritional needs of hungry people in this nation. We have the knowledge, we have the imagination, and we have the resources to end hunger.

Again, I appreciate the opportunity to appear before you today and I would be glad to answer any questions or concerns that you may have. Thank you.

(Attachments follow:)

Additional Statement for the Record of Bard Shollenberger on behalf
Bread for the World

I. FOOD STAMP PROGRAM

A. Provisions included in the Comprehensive Nutrition Assistance Act of 1985

1) Increase the earned income deduction from 18 percent to 20 percent of gross earned income.

This provision would repeal a previous funding cut aimed at the working poor--the lowering of the earned income deduction from 20 percent to 18 percent of gross earned income. The provision was enacted in 1981. The restoration of the deduction will more accurately reflect the true cost of work-related expenses such as payroll taxes and transportation. The provision will serve as an additional work incentive for participants and would increase benefits to working food stamp households. Approximately 18 percent of all households in the food stamp program have wage earners. This provision was included in the Hunger Relief Act of 1984 (H.R.5151).

2) Separate the Excess Shelter and Dependent Care Deduction and raise their caps to $175 and $160 per month, respectively.

This provision was introduced last year by Representative Weiss (H.R. 5180) and was approved by the House during floor consideration of H.R. 5151. Representative Weiss reintroduced this provision on March 28 (H.R. 1844).

Currently, only one deduction is allowed for both excess shelter costs and dependent care costs. The total deduction may not exceed $134 per month. These deductions were combined in 1977 to prohibit households with high incomes from participating in the program. Combined deductions are no longer necessary due to the gross income eligibility limit of 130 percent of the poverty line which automatically eliminates households with higher income from participating in the program.

The provision would establish an independent excess shelter deduction in which food stamp households could deduct shelter costs in excess of 50 percent of their monthly net income, but not to exceed $175 per month. The provision would ease the burden for food stamp households who have high shelter costs by allowing a higher deduction and thus increasing food stamp benefits for these households.

The provision would also establish an independent dependent care deduction not to exceed $160 per month. The deduction would benefit the working poor and would provide a greater incentive for unemployed food stamp recipients to seek work or job training by allowing for a more adequate deduction for households that need to place young children other dependent individuals in day-care situations.

According to the most recent USDA statistics on the characteristics of food stamp households, 70 percent of all households are headed by women and 58 percent of all households have children. It is also estimated that 3 to 5 percent of current participants would be eligible for the dependent care deduction.

Under current law, the Congressional Budget Office has found that 75 percent of all dependent care costs incurred by food stamp program participants cannot be deducted.

3) Increase the liquid assets limits from $3,000 to $3,500 for households with two or more persons, at least one of whom is age 60 or older; and from $1,500 to $2,250 for all other households.

This provision was recommended by the President's Task Force on Food Assistance in January 1984 and was passed by the House as part of H.R. 5151 in August 1984.

The current assets limit was set in 1971 and has never been adjusted despite inflation. The President's Task Force on Food Assistance and other studies have shown that many low-income households--particularly the unemployed--are being excluded from the program because the current assets limits are too low.

Raising the assets limits would allow the elderly living on fixed incomes and the "new poor" who have lost income due to unemployment or other circumstances to participate in the program.

4) Raise the allowable excess medical deduction for the elderly and disabled to $35 or 5 percent of monthly income, whichever is less.

This provision would lower the threshold for medical deductions for the elderly and disabled to $35 or % percent of monthly income, whichever is less. The provision was introduced by Representative Morrison (CT) last year and was passed by the House as part of H.R. 5151.

Under current law, elderly and disabled food stamp participants are required to pay the first $35 in monthly medical expenses before beginning to calculate their medical deduction. For most of these participants, this is an undue hardship.

The mean gross income for households which include an elderly or disabled person and receives food stamps is $300 per month. $35 of medical expenses represents 12 percent of the gross income of these households. Under current tax law, people who claim a medical deduction pay only the first 5 percent of medical expenses before the remainder becomes eligible for the tax deduction.

For the average elderly or disabled recipient, the effect of the provision would be to have all medical expenses above $15 deductible for determining food stamp eligibility and benefit levels. Higher income recipients would have a higher threshold and lower income recipients would have a lower threshold.

5) Increase the basis for determining food stamp allotments to 101 percent of the value of the Thrifty Food Plan.

This provision was included in H.R. 5151 which passed the House last year.

Under this provision, food stamp benefits would be based on 101 percent of the Thrifty Food Plan. The Thrifty Food plan is the least expensive of four food plans developed by USDA. Studies have shown that few households are able to maintain a nutritionally adequate diet when purchasing food with the limits of the plan.

Raising food stamp benefits to 101 percent of the value of the Thrifty Food Plan will increase benefits for all households participating in the program. Current benefits average 49.6¢ per person per meal.

6) Permit states to operate an optional system of monthly reporting and retrospective budgeting.

This provision was passed by the House last year as part of H.R. 5151.

The provision repeals the 1981 provision making monthly reporting/retrospective budgeting a mandatory federal requirement. Current law does allow the exemption of certain categories of recipients from monthly reporting/retrospective budgeting based on the acceptance of a waiver request from a state.

The provision will help both recipients and program administrators. Pilot studies have shown that most of the recipients who have been terminated from the program for failure to comply with monthly reporting met all other eligibility requirements but had difficulty in filling out and submitting the reporting form. In many states, monthly reporting has also led to increases in administrative costs and paperwork and has not contributed to decreases in errors.

B. Other Food Stamp Program Provisions Recommended by Bread for the World

1) Quality Control

We support the position of the National Governor's Association and the American Public Welfare Association with regard to quality control. This proposal would reform current law and emphasizes improvements in program administration and operation not fiscal sanctions. The proposal also allows for state specific caseload characteristics in determining error rate tolerances.

2) Base food stamp benefits prospectively to more accurately reflect the actual coat of food.

The original Hunger Relief Act of 1984 introduced by Chairman Panetta contained this provision.

This provision would base food stamp allotments for a given fiscal year on the projected average cost of the Thrifty Food Plan for that year, rather than current law which bases food stamp allotments on the cost of the Thrifty Food Plan for June of the prior fiscal year. Under current law, food stamp benefits fall 3 to 15 months behind the actual cost of food due to the delay in adjusting benefits to keep place with food price inflation.

Basing food stamp benefits prospectively is a more equitable basis for determining benefits and would assist participants in obtaining a more nutritionally adequate diet.

3) Adjust food stamp benefits on a semi-annual basis.

A less costly alternative to the prospective method of determining benefits mentioned above, would be to adjust benefits on a semi-annual basis to more accurately reflect food price increases. If this system were adopted, although it is less preferable than the prospective method, benefits would fall no more than 9 months behind the actual cost of food if benefits for the first six months of a fiscal year were based on the value of the Thrifty Food Plan for June of the prior fiscal year. Benefits for the last six months of the fiscal year could be based on the value of the Thrifty Food Plan in December of that fiscal year.

4) Analysis of the Thrifty Food Plan

We recommend that a thorough analysis of the Thrifty Food Plan be undertaken to assess the ability of the Plan to meet the basic nutritional needs of food stamp program participants. Should the Thrifty Food Plan, and therefore food stamp benefits, prove inadequate, we would urge upward adjustment of benefits to more accurately reflect the food and nutritional needs of participants.

The Physician Task Force on Hunger calls for increasing food stamp benefits to the level of the USDA Low-Cost Food Plan--a 25 percent increase.

5) Restore mandatory food stamp program outreach to inform potential program participants of the availability of the program and its eligibility requirements.

Prior to the Omnibus Budget Reconcilliation Act of 1981, this provision was law. Currently, the federal government imposes no outreach requirement on the states. Studies have indicated that this lack of program information is a major contributing factor of low participation rates--particularly among the elderly, the "new poor", and poor people residing in rural areas.

A recent study conducted by the Center on Budget and Policy Priorities shows that while there are nearly five million more people living in poverty in 1984 than in 1980, food stamp program partici pation is down 300,000. While they state that there may be many factors for this decrease in participation, "the elimination of outreach may have been a modest contributing factor."

The food stamp program can make efforts to to assure that poor people eligible for the program actually participate. Outreach should again become a mandatory program conducted by the states as an allowable administrative expense reimbused by the USDA at a level of at least 50 percent of such costs.

Outreach activities could be targeted on populations reflecting serious levels of under-participation such as the elderly, the "new poor", and poor people residing in rural areas.

Varients of this provision were included in the original H.R. 5151 as introduced by Representative Panetta and in Senator Huddleston's S. 2607.

6) Increase vehicle deductible value from $4,500 to $5,500.

Congress placed the $4,500 limit on the market value of cars in the food stamp program in 1977. The purpose was to prevent households with luxury cars from participating in the program. Since then, used car prices have risen nearly 100 percent and the $4,500 limit has not been incresed. The result is that an increasing number of households--particularly the unemployed--have been made ineligle for the food stamp program because their vehicle has put them over the food stamp asset limit.

Raising the liquid asset limits as recommended in the Comprehensive Nutrition Assistance Act of 1985 will help to remedy this situation but does not directly address this specific problem. The vehicle limit should be raised in the interest of equity and to help prevent hunger among unemployed people.

The President's Task Force on Food Assistance also recommended raising the vehicle limit to $5,500. They found that one of the reasons for the increase of hunger in the nation was that "...the recessions of the recent past have resulted in an increase in the number of new poor families, many of whom are needy even though they have assets that disqualify them...such as autos...Sometimes these assets are not readily marketable, and if the household has borrowed to purchase them, they may actually be a drain on the household's resources...we believe these households should be given greater access to the food stamp system."

This provision passed the House as part of H.R. 5151 and was included in Senator Huddleston's food stamp bill (S. 2607) and in Senator Dole's food stamp bill (S.3017).

7) Job Search

We are supportive of meaningful job search and work registration requirements for food stamp participants provided that they are not punitive in nature and can actually result in lasting and adequate employment.

We are concerned, however, about current job search sanctions that penalize children in households with an adult member that fails to comply with job search requirements.

We recommend that the food stamp program should adopt the sanction provision included in the AFDC program. Under the AFDC program, if the noncomplying member is a household member other than the principal wage earner, the entire household is not sanctioned. Instead, the noncomplying person's needs are not included in computing the AFDC grant.

8) The Homeless

A provision should be included in the food stamp program to clarify eligibility of the homeless. This provision was recommended by the President's Task force on Food Assistance and was included in H.R. 5151. Some states now prohibit persons without a fixed address from participating in the program.

9) Categorical Eligibility

There should be a provision in the food stamp program to make AFDC and SSI recipients categorically eligible to receive food stamps. This provision was included in H.R. 5151 and was recommended by the President's Task Force on Food Assistance.

10) Burial Funds

A provision should be included in the food stamp program to allow elderly recipients to maintain a separate account of up to $1500 for burial costs. Current SSI and Medicaid law allows such an account. This provision would allow for greater consistancy between programs and would allow otherwise eligible persons to set aside funds for burial expenses. Current food stamp law prohibits some SSI recipients from participating in the food stamp program.

11) Household Definition

A provision should be included to permit elderly persons to apply for food stamps as a separate household even if the elderly person lives with others whose income is above 165 percent of the poverty level, when they are unable to purchase and prepare their own meals.

Current law requires elderly persons who are unable to purchase and prepare their own meals to apply as a separate household. However, they can only be eligible to receive food stamps if the income of the caretaker household is below 165 percent of the poverty level. Elderly persons are currently being disqualified from the program when a caretaker moves into the home to care for them when they are no longer able to purchase and prepare meals (and other functions) on their own.

The provision would remove the income of the caretaker as a condition for determining household status and eligibility.

12) Special Diets

A provision should be included to allow that additional expenses related to a physician-prescribed special diet be included as a deductible medical expense for elderly and disabled persons.

Many elderly and disabled persons are required to consume special diets which may be more costly than a normal diet. The extra costs of such special diets should be included as a medical expense, necessary to maintain health, to be deducted from income.

13) Restaurant Meals

Current law allows elderly persons to use food stamps to purchase prepared meals at restaurants, senior centers, elderly housing projects and similar institutions which contract with the states to serve meals at concessionary prices. These restrictions limit the availability of meals to elderly and disabled recipients who have no cooking facilities or who lack access to to other meal programs.

The provision would eliminate these restrictions.

14) Miscellaneous Provisions

The following provisions should be included in the food stamp program:

- revise the definition of "disabled" to include individuals receiving state supplemental SSI benefits, and certain Veterans and Railroad Retirement benefits;
- provide additional food stamp benefits if a household experiences a sudden loss of income of $100 or more in a month;
- allow for a State option to issue food stamps on a staggered basis;
- require states to assess the need for extended office hours at food stamp offices.

II. TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

A. Provision included in the Comprehensive Nutrition Assistance Act of 1985

The provision would continue TEFAP and would provide a total of $65 million to support states and local organizations providing emergency food assistance and distributing surplus commodities to poor people. The provision would not change current authorizing language which allows that no less than 20 percent of the funding be provided to organizations involved in distributing surplus commodities to poor people. Reimbursements to local organizations also cannot exceed 5 percent of the value of the commodities distributed.

While we support this provision that extends TEFAP and provides additional funding for the program, we recognize that current law restricts the efforts to distribute surplus commodities to all those in need.

B. Additional TEFAP provisions supported by Bread for the World

1) Reauthorize TEFAP through the end of fiscal year 1989.

Studies by the Congressional Research Service indicate that under current policies there will be adequate supplies of most surplus commodites to extend TEFAP for the next several years.

They program provides much needed, high quality food product to poor people in need of additional food to help provide a more adequate nutritional diet. According to a spokesperson who works with food banks and other emergency food providers in California, TEFAP provides over 50 percent of the calories in the typical food package.

2) Increase the minimum set-aside for food banks and local food providers from 20 percent to 50 percent.

Additional funding for local food providers will help to maintain this largely voluntary effort and would help to expand surplus commodity distribution to unserved and underserved areas.

3) Change TEFAP from a reimbursement to a grant-in-aid program and untie administrative funding from the value of commodites distributed.

Currently, reimbursements to food banks and local emergency food providers can lag several months behind the actual distribution of food. This causes undue hardship among organizations and agencies many of whom are largely voluntary in nature.

The current funding restriction limiting reimbursements to 5 percent of the value of commodities causes many emergency food providers to either support the program with other--frequently unavailable--resources, or to severely limit the distribution of commodities. Some emergency food providers have dropped out of the program due to these funding restrictions.

4) Expand and clarify eligible administrative activities and expenses to include the following:

- storage expenses including capital investments such as freezers or cold storage equipment. Current law requires prior approval from the states;
- distribution expenses including purchase of trucks or other moving equipment;
- federal or state required audits;
- advertising of distribution times, places and eligibility;
- referral services to other food assistance and social service programs;
- seed money to establish food banks and other emergency food assistance programs in unserved or underserved areas.

III. COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

A. Provision included in the Comprehensive Nutrition Assistance Act of 1985

In 1981, P.L. 95-98 authorized the institution of elderly feeding projects for the distribution of surplus commodities to help relieve chronic undernutrition among elderly poor people. These projects in Detroit, Des Moines, and New Orleans serve nearly 15,000 senior citizens with food packages specifically tailored to individual dietary restrictions and preferences.

The provision in the Comprehensive Nutrition Assistance Act of 1985 would reauthorize this program.

B. Other provision

A provision should be included to allow all other Commodity Supplemental Food Programs to provide food packages to elderly poor people. This provision was part of H.R. 5151.

IV. FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS

The following provisions should be included:

- increase administrative funding to tribes operating the program to provide for nutrition education activities, mobile distribution sites in rural areas and for increasing the number of distribution sites;

- require more culturally responsive foods specifically tailored to food preferences and special diets;

- improve quality control and administration at USDA regional warehouse level to ensure that all foods on order lists are available and that those available foods are nutritionally balanced;

- increase program flexibility to allow elderly tribal members who live off the reservation to be served.

V. EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM (EFNEP)

The Comprehensive Nutrition Assistance Act of 1985 would increase funding for this program to $70 million in fiscal year 1986. This funding level would allow EFNEP to expand its consumer and nutrition education services, with the additional funds provided to areas with high rates of infant mortality or hunger-related health problems.

ORGANIZATIONS ENDORSING THE COMPREHENSIVE NUTRITION ASSISTANCE ACT OF 1985

BREAD FOR THE WORLD
UNITED CHURCH OF CHRIST OFFICE FOR CHURCH IN SOCIETY
FOOD RESEARCH AND ACTION CENTER
AMERICAN BAPTIST CHURCHES U.S.A.
FRIENDS COMMITTEE ON NATIONAL LEGISLATION
NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.
EPISCOPAL CHURCH WASHINGTON OFFICE
U.S. CONFERENCE OF MAYORS
AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES
NATIONAL CONFERENCE OF CATHOLIC CHARITIES
MENNONITE CENTRAL COMMITTEE U.S. PEACE SECTION WASHINGTON OFFICE
AMERICAN SCHOOL FOOD SERVICE ASSOCIATION
CHILDREN'S DEFENSE FUND
WASHINGTON OFFICE PRESBYTERIAN CHURCH U.S.A.
PUBLIC VOICE FOR FOOD AND HEALTH POLICY
COMMUNITY NUTRITION INSTITUTE
INTERFAITH ACTION FOR ECONOMIC JUSTICE
AMERICAN PUBLIC HEALTH ASSOCIATION
NATIONAL COUNCIL OF SENIOR CITIZENS
RESULTS
COALITION ON BLOCK GRANTS AND HUMAN NEEDS
NATIONAL ANTI-HUNGER COALITION
RURAL COALITION
NATIONAL FARMERS UNION
UNITED FOOD AND COMMERCIAL WORKERS INTERNATIONAL UNION
NATIONAL FARMERS ORGANIZATION
CENTER ON BUDGET AND POLICY PRIORITIES
NATIONAL RURAL HOUSING COALTION
NATIONAL MILK PRODUCERS FEDERATION
NATIONAL ASSOCIATION OF WHEAT GROWERS

TESTIMONY OF

MICHAEL R. LEMOV
Executive Director, Food Research and Action Center

Introduction

Mr. Chairman and members of the Subcommittee:

My name is Michael Lemov. I am Executive Director of the Food Research and Action Center (FRAC). FRAC is a public interest law firm, research and and advocacy organization which has worked for nearly fifteen years to improve the federal food assistance programs.

A serious hunger problem remains in this country, despite recent improvements in the economy. We must not forget that the poverty rate increased 35% in the four years between 1979 and 1983 and remains at record levels. Programs targetted to the poor were cut $57 billion over the four year period 1982 - 1985 according to the Congressional Budget Office (CBO). Low-income programs bore one-third of the cuts although constituting only one-tenth of the budget and were cut more than twice as as deeply as other domestic programs.

Recent reports from the Physicians Task Force on Hunger in America, the U.S. Conference of Mayors, the National Association of Counties, and many others, confirm that the need for more adequate food assistance remains high, and is still growing, in many areas of the country.

As we begin another year of debate on federal food assistance, particularly in this year of the freeze, it is extremely important that we keep the needs of the most vulnerable Americans in mind. For many, a freeze in benefits would put them further behind in their losing battle against hunger.

I appreciate the opportunity to address the reauthorization of the Food Stamp and Temporary Emergency Food Assistance (TEFAP) Programs. It is useful to examine these programs together because TEFAP, and the food bank and emergency food provider network which administers the program locally, act as a critical barometer of the adequacy of the Food Stamp program. The authorization of TEFAP and extension of eligibility to Food Stamp recipients in 1983 was in part a response to inadequate food stamp benefits and overly restrictive food stamp eligiblity requirements. Large numbers of emergency food recipients are already receiving food stamp benefits (estimates run as high as 60% of emergency food recipients) but find that the stamps and other resources do not last the month.

In the absence of a national nutritional monitoring system which provides timely information on the nutritional status of the nation's poor 1/, it is the experience of food banks and emergency food providers which can best make the case for a more adequate federal Food Stamp Program.

In the fall of 1984, FRAC surveyed nearly 400 emergency food providers geographically distributed nationwide to find out whether they had experienced an increase or decrease in the need for their services. FRAC then published a report, Bitter Harvest, which found that:

- There was an average increase of 21.9% nationally between 1983 and 1984 in the average monthly number of households served by emergency food providers;
- 70.5% of the providers responded that private charity cannot meet the current need for food assistance in their local communities; and

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1/ FRAC supported H.R. 4684, the National Nutrition Monitoring Act of 1984 which would address the gaps in current federal nutrition monitoring systems. FRAC also supports the provision of H.R. 1856 which increases EFNEP funding and targets additional funds on areas with special needs populations.

o 62.8% of the respondents stated that over 50% of their caseload is made up of families with children.

In sharp contrast to the increasing numbers of persons receiving emergency food assistance is the decreasing numbers of persons receiving assistance through the Food Stamp Program:

Food Stamp Participation
(excluding Puerto Rico)

Date	Participation	% of Poverty Population Participating
Sept. 1981	20.3 million	63.8%
Sept. 1984	19.8 million	57.9%

These figures show that participation now is lower by 500,000 recipients than it was in 1981 (when the unemployment rate was 7.4%, close to current levels). This absolute decline is particularly striking in view of the increase in the number of persons below the poverty line, most of whom are eligible for food stamps. In sum, although there are nearly 2 1/2 million more people in poverty in 1984 than in 1981, food stamp participation is down 500,000 recipients. Clearly the needy cannot benefit from the Food Stamp Program if they do not participate.

II. Major Recommendations

A. Food Stamp Program

1. Benefit Increases and Eligibility Broadening Reforms

We strongly endorse the benefit increases provided in H.R. 5151, H.R 1856 and H.R. 1844. Of particular importance is the provision in both H.R. 1856 and H.R. 1844 which separates and raises the dependent care and shelter deductions.

Under current law, there is no effective dependent care deduction despite the fact that approximately 70% of the heads of food stamp households are women, and nearly half (47%) of all recipients are children residing in 58% of all food stamp households according to most recent (1982) USDA data. The lack of a meaningful dependent care deduction is an obvious work disincentive -- in fact it makes holding a job outside the home impossible. According to the Congressional Caucus for Women's Issues, only about 25% of women caregivers are in the labor force. The Aid to Families with Dependent Children (AFDC) program recognizes this critical fact and allows deductions of $160 per month per child. H.R. 1856 and H.R. 1844 would provide only a maximum deduction of $160 per month for all dependent care costs incurred. It is important to realize that this deduction can be taken only for actual expenses incurred.

(CBO) has found that 75% of all child care costs incurred by food stamp recipients cannot be deducted under the coupled deduction formula. CBO has also estimated that the cost of the H.R. 1844 is $142 million of which about $25 million relates to the child care portion of the provision. H.R. 5151 as passed overwhelmingly by the House last August, proposed to spend $87 million in FY 86 to increase the combined dependent care/shelter deduction to $155 per month (plus inflation adjustments after FY 85).

We also strongly support the provision of H.R. 5151 as introduced last March which would base the food stamp allotment on the prospective costs of food. Passage of this provision would mean that for first time food stamp recipients would actually receive 100% of the Thrifty Food Plan (TFP). CBO has recently estimated that during the period of January 1977 through December 1984, the maximum benefits for a family of four averaged $13.14 (or 6%) per month below the actual value of the TFP.

We urge the Subcommittee to change the basis of calculating the food stamp allotment to the prospective cost of food even if it is not currently possible to provide 100% of its value. It is important for the food stamp allotment to accurately reflect the actual cost of the TFP and as accurately reflect the actual value of benefits provided recipients.

Another factor greatly undermining the value of the food stamp allotment for recipents is state sales tax on food purchased with food stamps in seventeen states (see attached list of states and benefits lost to state sales tax). These taxes range from 3% to 6% and represented $115 million in benefits lost to recipients in 1983. We urge the Subcommittee to prohibit levying of state sales taxes on food stamp benefits as a condition of state participation in the Food Stamp Program.

2. Administrative Reforms

FRAC strongly supports the optional Monthly Reporting and Retrospective Budgeting provision of H.R. 5151 and would urge that optional state supplementation of benefits as provided under AFDC law be extended to the Food Stamp program. (Optional state supplementation would assist recipients subject to MRRB at no addiional cost to the federal government).

However, FRAC has serious reservations about the Quality Control and Job Search provisions of last year's bill. We ask that the Subcommittee seriously consider the following recommended adjustments to those provisions.

a. Quality Control

FRAC supports the substantive position of the National Governors' Association and the American Public Welfare Association. This position seeks reform of current law which emphasizes improvements in program operations not fiscal sanctions and which recognizes a state's specific caseload characteristics in establishing error rate tolerances.

We want to make clear that we consider Quality Control an issue which has a profound impact on food stamp recipients. We are concerned that falling participation rates in the program may be in large part a function of the imposition of ever more punitive fiscal sanctions on states. There is little available data on this issue, but the following research findings suggest a link:

- The Research Triangle Institute's July 1983 evaluation of the 1981 Error Reduction Strategies Demonstration found that in Brunswick County, North Carolina reductions in overissuances occurred concomitant to increases in underissuances. The report states that: " It can be the case, therefore, that increased attention to the problem of overpayments can result in some households not receiving the full allotment to which they are entitled". (This study did not look at the impact of error reduction strategies on negative determinations; i.e., improper denial of benefits.)

- The 1983 study by Professors Evelyn Brodkin and Michael Lipsky, Quality Control in AFDC as an Administrative Strategy, which assessed the AFDC error reduction strategies by the Commonwealth of Massachusetts, concluded that "...available data support the hypothesis that families have been denied benefits to which they are entitled by law because of the increased procedural stringency associated with quality control reforms".

b. Job Search

FRAC recommends the following five key amendments (in order of importance) to the Job Search provision in H.R. 5151:

1. Limit sanctions for non-compliance with job search to the non-complying member - not the whole household.

   Such sanctions are limited to the non-complying member (if not the primary wage earner) under AFDC job search. Under the household definition enacted in 1981, two independent families living under one roof (e.g., two brothers and their families) are counted as one household. Both families are disqualified from the program if a member of one family does not comply with the requirements.

2. Provide that job search be a state option.

   AFDC job search is a state option. Job search requirements are costly and administratively difficult to apply. For example, in Massachusetts between April and December 1982, of the 12,000 AFDC recipients required to work register/job search, 2,000 or nearly 18% requested fair hearings on the single issue of whether they were required to register or were exempt.

3. Provide that associated expenses for recipients in excess of $25/month are a good cause exemption from job search requirements.

   H.R. 5151 limits federal and state liability for associated expenses to $25. If costs for child care and transportation exceed $25/month the recipient would have to pay it out of his/her pocket. This creates a financial barrier to program participation since job search is a condition of eligibility.

4. Limit job contacts to a maximum of 24 in an eight week period.

   This is provided in current regulations. Some states under AFDC Job Search are requiring as many as 40.

5. Eliminate 100% federal reimbursement of job search activities (or limit to training activities).

   No other administrative expense is 100% federally reimbursed including those which assist low income people to get access to the program (such as bilingual materials) and assist states in implementing an efficient and effective program (including staff salaries and staff training). At present, no federal reimbursement is permitted for program information.

New USDA data on sanctions under Food Stamp Job Search and Workfare are attached. Over 20% of participants in each program have been disqualified for noncompliance.

We would also like to indicate our strong support for the recommendations of the American Association of Retired Persons and the Leadership Council of Aging Organizations to improve the Food Stamp Program for elderly recipients.

B. TEFAP

It is FRAC's position that when commodities are in surplus they should be made available for distribution through emergency feeding channels. A viable food bank network is an essential, on-going element of food assistance in this country. Even the best structured and administered federal food assistance programs will leave gaps in assistance which the voluntary sector must fill. Moreover, the food bank network and the emergency providers are an important early warning system which can tell us when and where gaps are occurring in the provision of assistance through the Food Stamp Program.

The TEFAP program is zeroed out in the Administration's proposed FY 86 budget. We think this is a short sighted deficit reduction measure which undermines the very laudable efforts of voluntary food providers.

We stongly urge the extension of the TEFAP program and an increase in administrative funding of no less than the $65 million total authorization level proposed in H.R. 1856. Additional reform provisions are attached to this testimony for the Subcommittee's review.

Conclusion

We want to thank the Subcommittee for this opportunity to testify and for its unflagging efforts to monitor and improve the Food Stamp and TEFAP programs. We especially urge the Subcommittee to continue to focus on the special needs of children and the elderly which make up a majority of the food stamp caseload.

(Attachments follow:)

Approximate Benefits Lost to Recipients By State Sales Taxes Levied on Food Stamp Purchases*
(in millions of dollars)

STATE	1983 BENEFITS [1]	SALES TAX RATES [2]	BENEFITS LOST
Alabama	333,599	4.00%	13.34
Arkansas	150,781	4.00%	6.03
Georgia	317,761	3.00%	9.53
Hawaii	81,093	4.00%	3.24
Idaho	39,672	4.00%	1.59
Kansas	70,978	3.00%	2.13
Mississippi	270,869	6.00%	16.25
Missouri	222,019	4.125%	9.16
New Mexico	95,677	3.75%	3.59
N. Carolina	265,818	3.00%	7.97
Oklahoma	109,180	3.00%	3.28
S. Carolina	222,150	5.00%	11.11
S. Dakota	26,553	4.00%	1.06
Tennessee	323,600	5.50%	17.80
Utah	43,409	4.625%	2.01
Virginia	221,231	3.00%	6.64
Wyoming	11,885	3.00%	.36
			TOTAL: 115.09

*Based on 1983 benefits and current sales tax rates.

[1] SOURCE: Food and Nutrition Service, USDA. "Summary of Benefit Costs, Participation, and State Administrative Costs, Fiscal Year 1983."

[2] SOURCE: Federation of Tax Administrators. Latest Available information.

WORKFARE SITES

SITE NAME	IMPLEMENTED	TERMINATED
San Diego County, California	02/83	
Nashua, New Hampshire	02/83	8/84
Berkeley County, South Carolina	03/83	
Greenville County, South Carolina	03/83	
Lonoke County, Arkansas	03/83	
Danville, Virginia	05/83	
Jacksonville, Florida	09/83	9/84
Cook County, Illinois	10/83	
Moore County, North Carolina	10/83	
Spokane County, Washington	01/84	
Pierce County, Washington	01/84	
Benton County, Arkansas	02/84	
Polk County, Arkansas	02/84	
Plumas County, California	05/84	
Taylor County, Wisconsin	05/84	
Ashe County, North Carolina	07/84	
Scott County, Arkansas	09/84	

WORKFARE ACTIVITY

Fiscal Year 1984 Estimates:

- 69,000 households were referred as workfare eligible participants
- 64,000 households were assigned to jobs
- 68,244 individuals were assigned to jobs
- 1.6 million hours were worked by participants
- 14,989 households were sanctioned

United States
Department of
Agriculture

Food and
Nutrition
Service

Southeast
Region

1100 Spring St., NW
Atlanta, GA 30367

SEP 20 1984

FAMILY NUTRITION PROGRAMS

TO: ALL STATE WELFARE COMMISSIONERS, REGION IV

FROM: CHERIE MORRIS, REGIONAL DIRECTOR Cherie Morris

INQUIRIES TO: SEFN-334 FS 6-5

SUBJECT: Food Stamp Job Search Activity Reports

Attached for your information are reports on food stamp job search activities in the eight Southeast Region States. Attachment 1 is the final report on Fiscal Year 1983 job search activity. Attachment 2 shows Fiscal Year 1984 activity through June 1984.

Attachments

FNS/SERO/FAMILY NURTITION PROGRAMS
STATUS REPORT - JOB SEARCH ACTIVITY
OCTOBER 1982 - SEPTEMBER 1983

	AL	FL	GA	KY	MS	NC	SC	TN	SOUTHEAST REGION TOTALS
Date Contract Awarded	12/28/82	01/31/83	12/29/83	12/31/82	12/21/82	01/24/83	12/22/82	12/31/82	
Implementation Date	01/25/83	04/29/83	02/15/83	03/01/83	01/10/83	01/24/83	03/15/83	03/01/83	
No. Project Areas Participating	17	66 (Offices)	7	116	13	54	23	83	
No. Registrants Referred to ES	143	24,296	8,370	10,335	2,409	4,662	1,718	29,053	
(To Date)	22,509	33,818	21,357	44,862	17,299	22,468	5,161	57,318	224,792
No. Registrants Categorized Job Ready	902	11,714	4,770	2,416	1,472	2,139	845	3,768	
(To Date)	8,391	16,090	9,977	5,580	7,160	9,156	2,519	17,972	76,845
No. Performed Job Search	892	1,691	2,604	N/A	1,076	1,976	426	3,033	
(To Date)	8,310	2,939	3,777	703	5,519	8,334	957	15,967	46,506
No. Found Jobs In Job Search Period	1,172	4,914	1,349	N/A	189	490	213	1,140	
(To Date)	3,282	6,014	2,055	5	617	1,375	669	2,261	16,278
No. Reported To FSO For Noncompliance	2,303	8,161	5,813	376	1,109	2,511	928	4,610	
(To Date)	5,984	9,692	9,613	662	2,370	6,987	2,235	9,147	46,690
No. Disqualified From FSP	251	6,451	N/A	125	512	1,934	438	2,579	
(To Date)	1,091	7,391	N/A	147	1,292	5,436	833	4,595	20,785
Project Costs for Quarter	$167,153	N/A	N/A	$ 25,510	$175,901	$247,667	$161,323	$ 242,872	
Project Costs to Date	$489,367	$1,222,938	$ 716,219	$ 414,807	$358,738	$873,535	$428,640	$ 691,701	$5,195,945
Approved Project Budget	$841,314	$2,084,295	$1,099,475	$1,199,747	$473,052	$873,535	$550,896	$1,374,246	$8,496,560
Percent Expended to Date	58%	59%	65%	35%	76%	100%	78%	50%	61.2%
Approved Target Population	22,480	41,875	30,240	32,000	12,610	23,520	14,720	60,000	237,555
Percent Completed to Date	100%	80.7%	70.6%	139.0%	136.8%	95.5%	35.1%	95.5%	94.6%

ment 1

FNS/SERO/FAMILY NUTRITION PROGRAMS
STATUS REPORT - JOB SEARCH ACTIVITY
OCTOBER 1983 - JUNE 1984

State	AL	FL	GA	KY	MS	NC	SC	TN	SE REGION
Date Contract Extension	02-22-84	03-16-84	02-09-84	01-26-84	01-09-84	02-14-84	02-28-84	02-27-84	TOTALS
No. Registrants Referred to ES	46,385	39,310	18,609	24,265	10,460	19,442	10,326	32,532	201,329
No. Registrants Assessed	26,609	39,310	10,511	24,265	13,101	16,658	10,326	31,369	172,149
No. Registrants Deemed Job Ready	10,929	16,721	9,915	5,008	6,862	7,194	10,326	15,670	81,725
No. Performed Job Search	9,400	2,903	5,028	5,008	5,299	6,781	1,833	15,036	51,368
No. Found Jobs	4,348	7,394	2,579	56	1,082	1,786	1,271	2,269	20,785
No. Reported for Noncompliance	4,222	13,241	9,266	121	2,632	4,643	2,425	9,203	45,757
No. Registrants Disqualified	2,726	9,042	1,896	121	1,071	2,142	1,688	5,423	24,109
Project Costs to Date	$621,132	$1,292,970	$805,350	$183,218	$400,844	$871,357	$461,805	$763,949*	$5,405,705
Approved Project Budget	$857,149	$2,432,262	$2,411,358	$1,308,415	$522,161	$1,028,435	$637,880	$1,471,213	$10,749,791
Percent Expended	72.5%	53.2%	33.4%	13.6%	72.6%	84.7%	72.4%	51.9%	50.3%
Approved Target Population	26,406	77,112	40,000	40,000	15,540	25,569	14,720	60,000	299,427
Percent Completed	100.5%	51.0%	26.3%	60.7%	84.3%	65.1%	70.1%	52.3%	57.5%

* thru May

chment 2

RECOMMENDATIONS FOR EXTENSION AND REFORM OF THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) AND RELATED COMMODITY PROGRAMS

A. TEFAP

1. Reauthorize TEFAP through September 30, 1989.
2. Increase administrative funds authorized under TEFAP from $50 million to $100 million.
3. Increase set-aside for food banks and local emergency providers from 20% to 50%.
4. Change TEFAP from a reimbursement to a grant-in-aid program and untie administrative fund from the value of commodities distributed.
5. Expand and clarify eligible activities to include:
   - storage including capital investments such as purchase of a refrigerator
   - distribution including capital investments such as purchase of a truck
   - federally or state required audits
   - advertising of distribution times and places
   - referral to other federal food assistance and other social services programs
   - seed money to establish food banks in unserved or underserved areas, especially rural areas
6. Add Section 32 perishable commodities.
7. Exempt TEFAP from national processing contracts (or give states first right of refusal) to permit states to continue processing programs which earn supplemental funds to administer TEFAP.
8. Permit food banks to serve emergency providers outside of state boundaries where SMSA in which the bank is located is multi-state.
9. Provide a 5% tolerance for losses, e.g. spoilage.

B. RELATED COMMODITY PROGRAMS

1. Section 1114

   a. Reauthorize Section 1114 of the 1981 Farm Bill through September 30, 1989. (Section 1114 provides surplus or "bonus" commodities "without charge or credit" to Child Nutrition and Older Americans Act programs.)

   b. Eliminate Secretary's discretion under Section 1114 and specify that wheat, honey, rice and corn products as well as dairy products (i.e., all commodities distributed under TEFAP) shall be "bonus".

2. Indian Commodity Food Distribution (CFD) Program.

   a. Enhance administrative funding for CFD programs operated by tribes.

   b. Require more culturally responsive food packages.

   c. Improve quality control at USDA regional warehouse level to ensure that all foods on the list are available and those available are nutritionally balanced.

   d. Increase flexibility to permit serving elderly tribal members who live off the reservation.

3. Provide funding for intra-state distribution of entitlement commodities.

national association of margarine manufacturers

SUITE 1202 • 1725 K STREET, N.W. • WASHINGTON, D. C. 20006 • TELEPHONE: (202) 785-3232

Siert F. Riepma
President

April 15, 1985

Honorable Leon E. Panetta, Chairman
Subcommittee on Domestic Marketing,
  Consumer Relations, and Nutrition;
  Committee on Agriculture
1430 Longworth Building
Washington, D.C. 20515

Dear Chairman Panetta:

The subject of domestic distribution of surplus dairy products is of importance to our Association. I have previously testified before your Committee concerning the injurious impact of distribution in large volume of surplus butter on the makers and distributors of margarine and its farm suppliers. I am submitting this letter to be part of the record of your Subcommittee's currently scheduled Food Assistance Hearings.

Since our previous testimony, we have caused to be made an expert study of that impact. A summary of the findings is attached. It is clear that the donation program has displaced normal commercial sales of margarine products to the extent, so far, of some 300 million pounds. Similar findings appear to have been reached by experts in the Department of Agriculture. Moreover, the margarine industry is not alone, but its farm suppliers and its distributors have also been injured.

We urge the Subcommittee, in its review of the food assistance program, to give these incontrovertible findings of impact careful consideration.

Recommendations

The root cause, the existing milk price support law, should be further amended to reduce the level of support and to enable the Secretary of Agriculture to lower or raise that support in accordance with the Department's expert forecasts of governmental acquisitions. Not only the injury to our industry, but the enormous cost to the U.S. taxpayer of the dairy program in recent years warrant such action.

Further, I direct your attention to Sec. 203(c) of the Temporary Emergency Food Assistance Act. That provision specifically requires the Secretary of Agriculture to be assured that donations will not interfere with normal commercial sales of agricultural produce. In our view this requirement of Congress has been ignored. It should be heeded and implemented.

Displacement occurs when the recipient of surplus butter, for which the government has paid more than $1.40 a pound, rationally refrains from buying low cholesterol vegetable fat margarine, at a much lower price. When one calculates the government's cost of purchasing and distributing surplus butter, it is probably in excess of $2.00 a pound. Purchasing $2.00 butter for distribution to needy families, who then forego their normal margarine purchases, is a highly inefficient way to help the needy and a very damaging program to manufacturers and distributors of margarine.

We urgently request that the conclusive evidence of displacement of normal commercial sales be recognized and the Congressional policy established in Sec. 203(c) be implemented. Surplus butter distribution, worthy as it is as food assistance, should be periodically reviewed, its impact reported to Congress, and its volume adjusted according to the evaluation of displacement as well as the need for such assistance and the status of government stocks in order to achieve a reasonable fairness between those being served and those being injured.

Discrimination in Federal Policy Against Margarine

For many years surplus butter has been donated, or distributed at very low cost, to school lunch and certain other recipients. Food assistance of this kind has become embedded in government policy and even a rationalization for excessively high dairy price supports. The emergency distribution program is a new stage. It is a form of dumping, without nutritional orientation or plan.

The effect of such distribution of butter is to establish a year-to-year discrimination against margarine. Margarine is a significant farm product. It possesses nutritional features that cause it to be recommended by many physicians, nutritionists, and scientists. Such discrimination is not without some similarity to the restrictive state laws which once interfered with margarine as a market for American-produced edible oils, and which Congress abolished long ago. The margarine industry needs your consideration now, as it did then.

Thank you for your consideration. With very good personal regards,

Sincerely,

S. F. Riepma
President

Enclosure

IMPACT OF SURPLUS BUTTER GIVE-AWAY ON MARGARINE

Summary of Major Findings of An Expert Study Conducted For
The National Association of Margarine Manufacturers

- The butter distribution program is having an adverse impact upon the margarine industry.

  -Individuals who are given more butter than they normally consume, quit purchasing margarine, as well as butter.

  -For every 10 pounds of butter distributed, margarine sales declined by 7.7 pounds, 1983-84.

  -Displacement of margarine sales is 5 times as large as displacement of butter sales.

  -Most of the margarine displacement is concentrated in private label sales.

  -Although margarine prices rose somewhat during 1983 and 1984, due to higher soybean oil prices, the major factor causing reduced margarine sales was the butter distribution program.

- The program adversely impacts on the soybean and other oilseed producers whose edible food oils are basic margarine ingredients.

  -Based on displacement analysis, approximately 200 million pounds of soybean oil were lost in 1983-84.

- Twenty (20) percent additional excess capacity was created by the butter distribution program on overall private label margarine production.

  -Private label manufacturers reduced employment 15-20% as a result ofthe distribution program.

  -It is entirely possible that the butter distribution program will force one or more margarine manufacturers out of business in the near future.

- Dairy policies must be adopted that attack the root of the dairy surplus problem.

  -Either production must be overtly controlled or the price support level must be lower than it has been and must be adjusted downward when CCC stocks and/or purchases rise.

  -The margarine industry wishes to contribute to dairy stabilization that will assume an adequate supply of milk and not generate surplus government holdings and their costs.

National Governors' Association

John Carlin
Governor of Kansas
Chairman

Raymond C. Scheppach
Executive Director

STATEMENT OF

RAYMOND C. SCHEPPACH
EXECUTIVE DIRECTOR
NATIONAL GOVERNORS' ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS AND NUTRITION
UNITED STATES HOUSE OF REPRESENTATIVES

REGARDING

REAUTHORIZATION OF
THE FOOD STAMP PROGRAM

APRIL 16, 1985

Mr. Chairman and members of the Subcommittee, I am pleased to have the opportunity to submit a written statement for the hearing record on behalf of the National Governors' Association (NGA). The comments below briefly summarize NGA's position on the federal budget and the state's fiscal condition, and in more detail, NGA's policy concerning the Food Stamp Program.

The Budget Policy

The continuation of the current level of federal budget deficits is unacceptable. These deficits seriously threaten the economic health of the United States. Failure to address the deficit problem could lead to substantially lower long-run economic growth or possibly a recession or increased inflation. As a result, the nation's Governors have adopted a bipartisan comprehensive position on the federal budget for the last three years.

The current NGA policy position was just adopted at our winter meeting in February. It recognizes that the strength of the national economy requires a substantial reduction in the projected level of the federal budget deficit. It also recognizes that the reduction in that deficit will take much sacrifice and that states are prepared to see the growth of federal aid to them reduced. However it also recognizes the importance of continued federal support for needs tested programs which provide the safety net for poor Americans.

Specifically, the NGA budget policy calls for freezing the 1986 appropriation at the 1985 level for non-defense discretionary spending. For the 1987-1990 period this component should be increased at one-half the rate of inflation. National defense appropriations in 1986 should be limited to the 1985 level plus inflation. For the 1986-1990 period national defense spending would be allowed to increase 1-3 percent in real terms. The growth in other entitlement and mandatory spending programs would also be restrained. Part of this restraint would be caused by a one year freeze in all cost of living adjustments, including Social Security. Furthermore, the NGA policy urges the Congress to review the Medicare, federal pensions, farm, and Social Security programs to determine what reforms can be enacted in these non-means-tested entitlements. The reforms would be designed to increase the long-term controlability of the federal budget while continuing to protect low-income beneficiaries.

According to the NGA position, means-tested entitlements including Food Stamps should receive full funding. Other means-tested entitlements are AFDC, Medicaid, SSI, child nutrition, child welfare services, and the Social Services Block Grant.

The Governors recognize that, after the budget freeze and reforms have been enacted, it may be necessary to increase revenues to reduce the deficit to the NGA goal of 1 percent of GNP by 1990.

Fiscal Condition of the States

While the Governors are willing to see the rate of increase in state aid reduced, they are opposed to large shifts in current federal responsibilities to state government.

While the fiscal condition of states in 1985 will be somewhat stronger than that experienced in the recent past, the surpluses currently projected are quite modest given the economic and other uncertainties facing state governments. A recent survey undertaken by NGA and the National Association of State Budget Officers indicates that the states' ending balance for fiscal year 1985 will be approximately $5.2 billion, or only 2.9 percent of spending during that year. Wall Street analysts prefer a 5 percent ending balance to maintain the high bond ratings that are so critical to the financial integrity of state government. Equally important, not all states share equally in these surpluses. About 50 percent of the entire surplus is in only five states, with 28 states having balances below 3.0 percent. These balances are actually very small considering that the economy could slow; and that states have deferred considerable infrastructure, education and environmental spending during the 1981-83 recession. The sensitivity of state estimates to economic change is illustrated by the fact that virtually all states overestimated their FY 1983 revenues, with 24 states overestimating by 5 percent or more. (The Office of Management and Budget misestimated federal revenues in the same period by 8.9 percent.)

While it is true that some states will be reducing taxes, it is also true that many will be increasing taxes. The net state tax reductions planned for 1986 is only $1.1 billion, or one half of one percent of state spending.

In short, Mr. Chairman, it is an illusion in Washington that the states will have significant surpluses to absorb federal budget cuts. States have very small balances which they need, given the economic and other uncertainties they face.

Hunger and Poverty

There were over 35 million Americans in poverty in 1983 according to the Bureau of the Census. A little over one-third of these were children. The poverty rate for female headed households and blacks as separate groups have not dropped below 32 and 30 percent respectively since data was first collected 25 years ago. While not every individual and family living in poverty is hungry, poverty is certainly an indicator that hunger may exist among such persons.

We believe it is not coincidental that as the national poverty rate has increased each year from 1979 to 1983, there has also been numerous national and local studies reporting that hunger was also increasing. Many of the studies were done by local governments or local organizations. But other studies were done by the U.S. Conference of Mayors (June and October, 1983 and September 1984), the U.S. General Accounting Office (June 1983) and numerous national organizations concerned with hunger.

The latest study was done in 1984 by the Physician Task Force on Hunger in America with grants from the Harvard School of Public Health and 12 philanthropic organizations. The Task Force was comprised of 22 physicians and 35 other physicians participated in local field investigations. While the study was not a statistical survey of the nation nor a detailed study of all states, the combination of field investigations in government agencies, churches, family homes, and emergency feeding centers, plus data from federal, state and local epidemiological and other statistical studies, resulted in an enormous body of information on hunger in America.

The overwhelming conclusion of this study is that hunger is widespread and increased even during the economic recovery of 1984. The physician's report notes that possibly millions of Americans go hungry at least for some period each month. And that without exception, emergency food programs across the nation report significant increases in the number of hungry people. While we are not sure this latter study accurately counts the number of hungry Americans, we believe it is another credible study showing that the hunger problem is real.

Finally, further evidence that the hunger problem is real is that the buying power of combined AFDC-Food Stamp benefits has decreased significantly from 1971 to 1983 and even further today. For example, the House Ways and Means Committee in its February 1985 Committee print reports that the average four-person family receiving AFDC and food stamps has seen a 22 percent reduction in the real value of those benefits from 1971 to 1983.

The NGA Income Security and Food Stamp Program Policies

The National Governors' Association believes that food assistance programs which attack the problems of hunger and malnutrition in America are key elements of a national income security policy.

Less than three years ago, NGA reaffirmed its commitment to the development of a national income security policy. That policy position states:

- The federal government should accept the primary responsibility for financing income security programs;
- Further cuts in the level of federal support for these programs is unacceptable;
- The national program must be comprehensive and must address the total range of income security needs in the states, the Commonwealths of Puerto Rico and the Northern Marianas and the Territories through cash assistance and other in kind benefits as well as medical care.
- The comprehensive national program should provide, among other policies, for a minimum income level related to the cost of meeting some national measure of the basic need for food, shelter, transportation, clothing and health care.

NGA's advocacy of a national income security policy is a major component of the NGA's federalism proposals and is consistent with our general policy on the federal budget described above. The Governors have long supported the concepts of sorting out the appropriate roles of the state and federal governments within the federal system. The lack of a national income security policy is imposing severe handicaps on those states and localities that have a large concentration of poor people or are experiencing continually economic problems.

While some areas of the country combine federal and state benefits in such a way as to exceed the national level, other areas have benefit levels that are not adequate to meet even the most minimal needs. This problem is particularly frustrating since states are unable to control the major factors that influence employment or the health of the economy. One onerous result of these differences among the states is the artificial incentives provided for migration.

The federal food assistance programs are an important tool to help equalize the inequities in the distribution of resources and problems among the states. The Food Stamp program is particularly important as it is the only federal program open to the majority of poor persons and one of the few programs that includes national eligibility and benefit standards.

The bottom line for the Governors is that an incomes policy, of which food stamps are an important part, is a vital national concern.

The Food Stamp Policy

First, and foremost, the National Governors' Association strongly supports the reauthorization of the Food Stamp Act. While we continue to affirm our support for the development of a national income security policy, and, over time, a larger federal role in financing that policy, it is critical that we retain and improve existing income assistance programs, in this case, the Food Stamp Program, until such a national policy has been adopted and implemented.

Second, while Governors want more flexibility to administer the Food Stamp program, we believe that the needed flexibility must be in the context of an individual entitlement program and that it would be inappropriate to transform this program into a block grant to states. A block grant could lead to effective capping of federal expenditures for the program and thus not allow for increases in funding as the number of households in need of food assistance increases. A block grant could also move us away from the current program's comprehensive national measure of need and reasonably uniform national benefit floor.

Federal food assistance programs, particularly the Food Stamp program, are designed to meet the minimum nutritional needs of every eligible person. Reducing food assistance benefits through limits on total expenditures would inequitably cut benefits across states and localities, and thereby reduce the ability of federal programs to meet the minimum nutritional needs of every eligible individual. In short, eligibility rules and thus nutritional standards should be national.

While some attempts to draft optional block grant legislation address the issue of indexing federal funding to individual state conditions, we are unaware of a method that would approach the flexbility in the entitlement aspect of current programs. That is, federal funding currently changes as caseloads change, which is a direct reaction to economic conditions in the states. Indicators of state conditions like changes in food costs are indirect measures and therefore not as flexible.

Food Stamp Error Rate Sanctions

NGA believes error rate sanctions that could reach $300 to $500 million over the 1983-1989 period are a prime example of cost shifting and, therefore, is strongly opposed to any increases in the sanction provisions which were enacted by the Congress in 1982. Those provisions established a system of graduated targets and penalties which are designed to encourage states to take strong corrective action. States have reduced their error rate from 16 percent in 1974 to 8.36 percent in 1983 and are continuing to make progress in 1984 and 1985. In fact, we believe that the easing of these sanctions and fundamental changes in the quality control system are now timely.

First, as we have testified in the past, we are strongly opposed to the concept of sanctions within this cooperative federal-state program. States have demonstrated their firm commitment to the reduction of errors. Penalties are not needed and increased penalties will only serve to shift unavoidable costs from the federal government to the states.

They are unavoidable because the very nature of the eligible population contributes to rapid changes in the caseload and complex, and sometimes unnecessary, federal rules only increase the opportunity for error. Since states do not have the ability to assume any additional costs, the large error rate sanctions will inevitably result in a reduction of services to those who are in need.

Second, the current quality control system has a number of serious flaws. The Governors recently passed during the winter meeting a policy concerning quality control error rate sanctions. At a minimum, the Governors urge Congress, in the Food Stamp program and in the AFDC and Medicaid programs to:

- Establish error rate tolerance levels based on demonstrated state achievement;
- Modify state by state tolerance levels to reflect demographic and program characteristics which may affect performance;
- Eliminate "technical errors", i.e., those errors which do not affect the final payment, from the calculation of error rates used for fiscal sanctions;
- Set error rates at the lower bound of the range of the statistical estimate;

In addition, Congress should consider enacting the following reforms:

- Modify treatment of client caused errors to reflect the limited ability of the states to reduce and control such errors;
- Improve the timeliness of the federal re-review and the issuance of final error rates;
- Consider the cost effectiveness of further error rate reduction efforts before requiring further state action;
- Improve the consistency of the error rate review process among the federal regions; and
- Modify the process for waiving fiscal sanctions to provide states with a fair system of seeking "good faith" waivers.

Further, the Governors recommend that the imposition of sanctions under the current system be waived until such a time as the Congress has completed action on the necessary reforms. Failure to take such action will only increase the uncertainty under which states must budget for these programs and may result in unnecessary reductions in vitally needed services.

We believe the above reforms will make the quality control systems for Food Stamps, AFDC and Medicaid more fair and manageable as well as more accurate in the measurement of state performance.

Program Simplifications to Reduce Errors

The Governors believe that the present Food Stamp program is unnecessarily complex and support federal action to simplify the program and to improve the quality of administration. Our recommendations include:

- Allow states to conform employment-related services and work requirements for the Food Stamp population to the requirements of cash assistance programs providing assistance to the same individuals (e.g., AFDC);
- Allow states to use AFDC and SSI income definitions in the calculation of Food Stamp bonus levels;
- Cash-out benefits for SSI recipients;
- Disregard the same $50 of child support for Food Stamps which is disregarded for purposes of AFDC;
- Allow USDA to require only cost-effective state operational procedures, i.e., if not cost-effective in individual states, there should be no federal mandates to do bank or wage matches, open offices on weekends or evenings, stagger issuances throughout the month, require countersignature for receipt of benefits or provide photo IDs;
- Provide greater stability for administration of this program by limiting mandatory changes and by providing sufficient time for proper implementation;
- Continue to provide benefits without a purchase requirement; and
- Allow Puerto Rico to continue its block grant with maximum flexibility in the design of the program.

We also support efforts to make monthly reporting and retrospective budgeting optional. Changes enacted in the AFDC program last year would provide a useful model for the desired modifications in current law.

Program Stability and Improvements

The Governors are also concerned that the current value of benefits to Food Stamp households not be reduced and that they continue to be adjusted as necessary to reflect the increased costs of food and other basic living costs. Thus, we support: 1) the current calculation method for the thrifty food plan; 2) indexation of certain disregards and disregard caps; and 3) disregards of energy assistance benefits. As resources permit, we also support indexing to inflation the current asset limits and all disregards not currently indexed; providing food stamps to children even if they also participate in child nutrition programs; basing the value of benefits for each fiscal year on projections of food costs for October of that year rather than June of the previous year; separating and increasing the dependent care and excess shelter disregards so the dependent care disregard is the same as in the AFDC program; and, restoring the earned income disregard to 20 percent to continue the incentive to increase work and earnings.

While we are committed to maintaining benefits for all households, we are equally committed to increasing the emphasis of the program on finding jobs for Food Stamp recipients who are able to work. More adequate federal funding for work registration and job search activities would enhance our ability to do this.

The Administration's and Other Budget Cutting Proposals

As we noted before, our budget policy calls for full-funding of the Food Stamp program and our income security policy opposes further budget cuts. The Congressional Budget Office estimates that 1981 and 1982 legislation will hold food stamp spending $7 billion, or 13 percent, lower for fiscal years 1981-1985 than it would have been under pre-1981 law. CBO also estimates that 1 million persons lost eligibility over the same period. We believe that the sacrifices of Food Stamp beneficiaries plus the increasing problems of poverty and hunger argue strongly for no further cuts.

Thus, in addition to opposing optional block grants and stiffer error rate sanctions, NGA policy opposes the Administration proposals for capping Food Stamp administrative costs and mandating state workfare programs or large increases in work program participation without adequate administrative matching.

- A Cap on Administrative Costs: First, a cap on administrative costs is unnecessary to restrain spending. States must spend at a 50 percent rate for those costs and have all the incentive they need to restrain unnecessary spending. Second, in order to continue error rate reductions, states must continue to spend on corrective actions including automation. Any cap will certainly hurt corrective action. Finally, a cap makes no sense while at the same time requiring increases in work program administrative costs.

- Mandatory Workfare: While the National Governors' Association has a long standing commitment to improve the administration and effectiveness of national welfare programs and is particularly interested in assisting people to get off welfare and into jobs, we continue to have strong objections to federally mandated workfare.

NGA supports the efforts of Congress and the Administration to promote the labor force participation of welfare and food stamp recipients. Current law provides the states with the necessary flexibility to test the best approaches to putting welfare recipients to work and we will continue to work with the Congress and the appropriate Executive Branch agencies to improve the administration and financing of current legislative provisions concerning this issue.

NGA is, however, strongly opposed to any additional mandatory requirements that would force all states to adopt workfare programs universally or for a substantial portion of their population. NGA believes the states must have the flexibility to approach this issue according to the circumstances and resources that are available to them.

Almost all of the states are trying new work program strategies with their AFDC caseload and many with their general assistance caseload. The WIN Demonstrations, Grant Diversion projects, special workfare and other demonstrations being initiated by the Health and Human Services Department all will affect, and probably reduce somewhat, Food Stamp expenditures by increasing recipients work effort and earnings.

But it is not yet certain whether workfare, job search, grant diversion, training, or some combination works best for any particular sub-group of the welfare population. To mandate any particular approach or to mandate any participation by a substantial portion of the population is extremely pre-mature. Flexibility must continue until we know what work programs work best for which recipients and the costs of administration associated with fostering successful ventures into the workplace.

Finally, the Administration is proposing to eliminate the emergency food and shelter program run by a consortium of national charities as well as the program to reimburse states for the cost of storing commodities, e.g., cheese, which are provided for the poor and homeless. The NGA supports the continuation of a federal role in the financing of emergency food and shelter programs until such a time as the more fundamental causes of homelessness and emergency hunger needs of families can be identified and alleviated.

Conclusion

The National Governors' Association strongly supports continued efforts to improve the administration and cost effectiveness of the Food Stamp program. We believe that there is a need for a continuing role for the federal government to improve the national income security program and we are most anxious to work with Congress and the Administration on these critical problems.

GENERAL FARM BILL OF 1985

(Domestic Hunger, Food Stamp Program, and Temporary Emergency Food Assistance Program)

WEDNESDAY, APRIL 17, 1985

House of Representatives,
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition,
Committee on Agriculture,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:15 a.m., in room 1302, Longworth House Office Building, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Present: Representatives Huckaby, Olin, Emerson, Chappie, and Lewis.

Also present: Representative E (Kika) de la Garza, chairman of the committee, and Representatives Biaggi and Garcia.

Staff present: Mark Dungan, minority associate counsel; Peggy L. Pecore, clerk; Robert J. Fersh, Deborah A. Dawson, Bernard Brenner, Anita R. Brown, Carol Ann Dubard, and Lynn Gallagher.

OPENING STATEMENT OF HON. JAMES R. OLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. **Olin** [acting chairman]. Will the hearing please come to order.

Ladies and gentlemen, this is the second day of our hearings of this subcommittee, reviewing the reauthorization of the Food Stamp Program and the Temporary Emergency Food Assistance Program and related programs.

We are very happy to have with us today to begin with, a delegation from Puerto Rico including the Governor, the Honorable Rafael Hernandez-Colon, and our colleague, Resident Commissioner of Puerto Rico Jaime Fuster, and the secretary of the department of social services, Carmen Sonia Zayas. We are very pleased to have all of you here this morning and we will be interested in your testimony. Mr. Fuster, would you like to start off.

STATEMENT OF HON. JAIME B. FUSTER, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. **Fuster**. Thank you, Mr. Chairman.

Good morning, Mr. Chairman, fellow Members of the Congress. We have a panel from the Commonwealth of Puerto Rico to testify on the nutrition assistance program. Since we have the Governor of Puerto Rico here, I will limit my remarks at this time and simply present the Governor. He has the basic statement to submit to this honorable committee on behalf of the Commonwealth of Puerto Rico, and with your permission, Mr. Chairman, I would request that the Governor be heard at this time.

Mr. OLIN. Yes; the Governor may read his statement or he may submit it for the record and summarize, whichever you choose, Governor.

Governor HERNANDEZ-COLON. If I may read it, I will proceed to do so.

Mr. OLIN. That will be fine.

Governor HERNANDEZ-COLON. Thank you, sir.

Mr. OLIN. Yes, sir.

STATEMENT OF RAFAEL HERNANDEZ-COLON, GOVERNOR, COMMONWEALTH OF PUERTO RICO

Governor HERNANDEZ-COLON. Mr. Chairman, distinguished members of the House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, I am Rafael Hernandez-Colon. As Governor of the Commonwealth of Puerto Rico, I welcome this opportunity to appear before you to discuss the Nutrition Assistance Program, an issue which is of great importance to your 3.3 million fellow American citizens of Puerto Rico. Testifying with me today is the Honorable Carmen Sonia Zayas, secretary of social services, whose department administers NAP.

Congressman Panetta's invitation asks for my views on H.R. 1653, a bill introduced by the Honorable Jaime Fuster, Resident Commissioner from Puerto Rico. This bill repeals the noncash benefit requirement of NAP and adds an inflation adjustment clause to the block grant. I fully support this bill, and will elaborate on the need for these provisions later on in my testimony but first, in order to place this issue in proper perspective, I would like to briefly discuss the NAP's history.

The Puerto Rico Nutrition Assistance Program was implemented on July 1, 1982, as a result of the Omnibus Budget Reconciliation Act of 1981 [Public Law 97-35]. This law removed Puerto Rico from the national Food Stamp Program and instituted in its place a block grant with an annual ceiling of $825 million. This figure represented a 25-percent reduction in funding from what Puerto Rico would have received that year in food stamps. The block grant was designed to give Puerto Rico flexibility to operate a Nutrition Assistance Program that would best be suited for the Commonwealth's needs.

Faced with this severe cutback and the new administrative responsibilities the block grant entailed, Puerto Rico established a direct benefit system whereby program beneficiaries receive a monthly check. In addition, the program's eligibility levels were reduced from a gross annual income of $11,000 to $8,000 for a family of four.

In September 1982, the Omnibus Budget Reconciliation Act of 1982 [Public Law 97-253], ordered Puerto Rico to change to a noncash issuance system, despite the fact that the program had only been in operation for 2 months and contrary to the block grant concept of flexibility. This noncash requirement was subsequently eliminated until September 30, 1985, by Public Law 98-204, thanks to efforts by the subcommittee and full committee chairmen, as well as other committee members. This law also called for a U.S. Department of Agriculture evaluation of the NAP and its effect on household food expenditures and nutritional aspects of the participants' diet. An interim report was published March 1, 1985, and the final nutritional study is expected in June.

During the past 2 years, the congressional debate on the Puerto Rico Nutrition Assistance Program has been directed at the benefit system. While this is a very important issue, there is an even larger one that also needs to be addressed, and that is the issue of funding. As I mentioned before, the block grant was funded at a reduced level and, unlike the national Food Stamp Program, it is not indexed for inflation.

The result of the lower funding was the previously mentioned reduction in income eligibility, which removed a large number of households from the program. During the first year of NAP, the total number of participating households was reduced from 506,248 to 433,987, and to 412,645 in 1984, (see table I). This represents a total reduction of 93,603 households or 18.5 percent.

Since the NAP is not indexed for inflation, the difference between what Puerto Rico actually receives and would have received under food stamps increases every year. The cost of food in Puerto Rico has increased by 3.6 percent from June 1982 to June 1984, compared to 3.1 percent for the United States—testimony by John Stokes from USDA before the House Interior and Insular Committee, February 22, 1985. The USDA study states that under food stamps, the income eligibility level for January 1985 is $13,260, compared to $8,000 in Puerto Rico, a difference of 39 percent. While the national Food Stamp Program has increased from approximately $11,000 in 1982, the NAP figure has remained the same.

There is also a difference in the maximum monthly benefits for a family of four. Again, according to the USDA study, the NAP maximum monthly benefit is $199, which is lower than the $221 benefit for Puerto Rico in the last year of the Food Stamp Program. However, the maximum monthly benefit under the national Food Stamp Program has increased from $233 in 1982 to $264 in 1985—U.S. Department of Agriculture, Puerto Rico Nutrition Evaluation Interim Report, Mathematica Policy Research, March 1, 1985, p. I-3. Moreover, the family benefit in Puerto Rico may change every month according to the number of people in the program and the funds that are available.

We strongly believe that H.R. 1653 would help alleviate these discrepancies by indexing the block grant funding to increases in the cost of food, which is the same index used for the national Food Stamp Program. I understand that this subcommittee has already recognized this need and has recommended to the Budget Committee that the NAP be increased in fiscal year 1986 from the current funding of $825 million up to as much as $863 million. I wish to commend you for this action.

As you consider the reauthorization of NAP, I ask you to keep in mind other factors which contribute to this funding need. Puerto

Rico does not participate in the Supplemental Security Income Program, and has severe funding limitations in other programs such as aid to families with dependent children and Medicaid. Furthermore, the income levels in Puerto Rico are considerably lower than in the United States, and the unemployment levels, currently at 22 percent, are higher (see table II).

The NAP check system has been in effect for nearly 3 years. During that time, it has gained the support of both major political parties on the island, as well as the support of the program beneficiaries.

The overall administrative cost reductions of NAP are approximately $9.6 million or 18 percent. Of this figure, the savings attributable to the check issuance alone could be as high as $8.2 million a year. These savings have allowed us to direct more funds to the beneficiaries. This has been extremely important, considering the limited funds we have available. By sending the checks directly through the mail, long food stamp lines have been eliminated. Moreover, the checks fully protect the dignity of recipients; participants no longer must publicly reveal their indigent condition whenever they purchase food. A direct result of this has been that the social services department personnel can devote more time to eligibility verification procedures. Furthermore, people no longer have to take time off from work to wait for their benefits. Finally, groups with special needs, such as the elderly and the disabled, find it easier to participate in the program.

I am aware of your concerns regarding the possibility that the checks may be used to purchase items other than food. Although the USDA study which was to deal with the nutritional aspect of NAP is not finished yet, several factors lead us to believe that this is not the case.

The USDA interim report shows the results of group discussions in which participants stated that cashing in coupons for less than face value was common under the Food Stamp Program, and that about the same percentage is spent for food under NAP as under food stamps—U.S. Department of Agriculture, Puerto Rico Nutrition Evaluation Interim Report, Mathematica Policy Research, March 1, 1985, p. III-46. Moreover, while the net benefits under NAP have been reduced, food consumption continues to increase (see tables III and IV).

In addition, we have taken measures to prevent the misuse of funds, such as quality control methods, better verification procedures, home visits, and increasing legal procedures against those who abuse the system.

Public Law 97-35 permits the Commonwealth of Puerto Rico to "employ a small proportion of the block grant funds to finance projects that the government of the Commonwealth believes likely to improve or stimulate agriculture, food production, and food distribution, which will increase the self-sufficiency and nutritional standard of needy citizens residing in the Commonwealth"—U.S. House of Representatives—Omnibus Budget Reconciliation Act of 1981. Conference Report, July 29, 1981, pp. 656-657. The special projects amounted to approximately $25 million annually. We are aware of the concerns regarding the amount of money devoted to these projects, as well as their viability.

As a result of these concerns, and through discussions with USDA, we have decided to reduce the amounts allocated for fiscal year 1986 for special projects to $7.3 million. At this point I would like to submit a list of these changes for the record. This decision will benefit the NAP participants because it will increase the amount available for distribution by $18.6 million a year. This is consistent with my commitment to target maximum benefits to the truly needy citizens of Puerto Rico.

In conclusion, Mr. Chairman, I fully support the continuation of the check benefit system and an inflation index for the block grant. Although we would prefer to go back to equal treatment under the national Food Stamp Program, we realize this to be an unrealistic proposal, given the size of the projected Federal deficit.

However, we must not let the concerns over deficits blind us to the intent of the Nutrition Assistance Program, which is to provide an adequate diet for the needy people of the Commonwealth of Puerto Rico. If the program is not adjusted for inflation, we will have to reduce the number of participants and the amount of benefits. We believe that the health of the NAP participants, as well as their ability to function as productive members of society, by far outweigh any other considerations.

In addition, we believe that program continuity is crucial. Changing to a different system could disrupt benefit delivery and increase administrative costs, thereby limiting fund availability.

As previously mentioned, I am confident that the final USDA study will show that NAP has not had a disruptive effect on food consumption, and that the nutritional adequacy of the diet is constant.

I thank you for giving me the opportunity to appear before you, and will answer any questions that you might have.

[The attachments follow:]

TABLE I

COMPONENTS OF DECLINE IN THE CASELOAD UNDER THE NAP

Time Period	Average Monthly Caseload	Applications: Total Number	Applications: Total Number of Applications Accepted	Applications: Percent of Applications Accepted	Total Worker-Initiated Discontinuances: Total Number	Total Worker-Initiated Discontinuances: Percent of Caseload	Discontinuances Due to Computerized Redetermination of Eligibility
January-June 1982	509,058	108,771	97,350	89.5	40,380	1.3[a]	----
July-December 1982	445,269	87,182	70,312	80.7	61,962	2.3	29,900 - 38,900
January-June 1983	422,921	73,758	57,089	77.7	37,206	1.5	0
July-December 1983	414,349	74,006	56,459	76.3	38,472	1.6	0
January-June 1984	405,076	65,964	50,726	77.7	37,980	1.6	0

SOURCE: Puerto Rico Department of Social Services.

[a] This figure is based on data for March 1982.

TABLE II
CHARACTERISTICS OF THE POVERTY AND NEAR POVERTY POPULATIONS
PUERTO RICO, MISSISSIPPI AND THE U.S.

	Puerto Rico		Mississippi		United States	
	1969	1979	1969	1979	1969	1979
Poverty level income for nonfarm family of four[a]	$3,743	$7,412	$3,743	$7,412	$3,743	$7,412
ALL INCOME LEVELS						
Persons (thousands)	2,684.5	3,176.7	2,164.4	2,455.1	198,060.0	220,845.8
Percent 65 and over	6.6	7.8	10.0	11.3	9.7	10.9
Percent in urban areas	43.8	66.7	44.0	46.9	73.3	73.5
Families (thousands)	564.8	757.6	534.4	645.5	51,168.6	59,190.1
Mean family income	$3,063	$8,271	$7,292	$14,591	$21,778	$23,092
Mean family size	4.56	4.01	3.80	3.47	3.56	3.27
Percent receiving public assistance	8.2	14.7	11.3	13.3	5.3	8.0
Percent with children under 18[b]	73.2	68.0	61.2	58.4	57.7	54.0
Percent female heads with children under 18	11.0	12.8	9.3	11.4	6.8	9.3
INCOME LESS THAN 125 PERCENT OF THE POVERTY LEVEL						
Persons (thousands)	1,943.9	2,253.7	932.6	769.9	36,901.2	37,524.2
Percent of all persons	72.4	70.9	43.1	31.4	18.6	17.0
Families (thousands)	381.5	508.3	193.4	165.2	7,682.0	7,919.0
Percent of all families	67.6	67.1	36.2	25.6	15.0	13.4

	Puerto Rico		Mississippi		United States	
	1969	1979	1969	1979	1969	1979
INCOME LESS THAN THE POVERTY LEVEL						
Persons (thousands)	1,749.9	1,983.2	766.6	587.5	27,125.0	27,392.6
Percent of all persons	67.5	62.4	35.4	23.9	13.7	12.4
Percent 65 and over	7.5	8.1	15.4	16.2	19.2	13.1
Percent in urban areas	34.6	58.6	33.7	41.4	64.5	71.8
Families (thousands)	336.6	439.6	154.3	120.6	5,462.2	5,670.2
Percent of all families	59.6	58.0	28.9	18.7	10.7	9.6
Mean family income	$1,738	$3,412	$1,950	$4,099	$1,935	$3,663
Mean income deficit[c]	$2,463	$4,285	$1,770	$3,245	$1,542	$3,076
Mean family size	4.95	4.28	4.45	4.12	3.88	3.62
Percent receiving public assistance	12.8	21.1	21.5	34.4	27.5	32.5
Percent with children under 18	78.6	74.8	65.2	70.1	63.7	74.3
Percent female heads with children under 18	15.0	17.3	21.7	32.6	27.4	39.2

SOURCE: U.S. Department of Commerce, Bureau of the Census, Census of the Population, General Social and Economic Characteristics.

[a] The poverty index reported here is a weighted average for the poverty thresholds for nonfarm families with male and female household heads. For a discussion of the definition of poverty, see U.S. Bureau of the Census, Current Population Reports, Series P-60, No.133, Characteristics of the Population Below the Poverty Level: 1980, Washington, D.C., U.S. Government Printing Office, 1982.

[b] "Related" children under 18 years are all persons under 18 years old related to the head of the household, except the spouse.

[c] Income deficit is the difference between the total income of families and unrelated individuals below the poverty level, and their respective poverty thresholds. This measure provides an estimate of the amount that would be required to raise the family's or unrelated individual's income to their poverty level. The mean income deficit is obtained by dividing the total income deficit of a group below the poverty level by the number of families or unrelated individuals in that group.

TABLE III

FOOD STAMPS/NAP BENEFITS AND PERSONAL FOOD CONSUMPTION EXPENDITURES
(1954=100)
(In million of dollars)

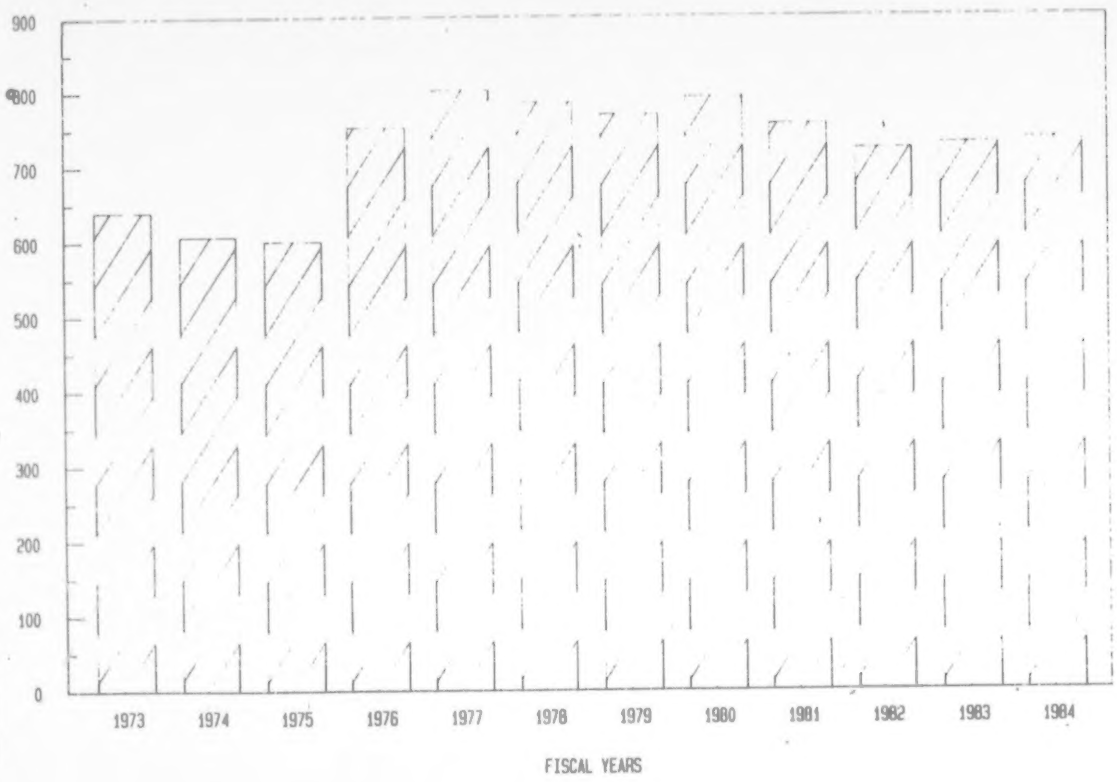
Fiscal Years	Food Stamp/NAP Benefits (Constant Dollars)	Change Absolute %	Food Consumption (Constant Dollars)	Change Absolute %
1979	277.8		768.0	
1980	273.9	- 3.9	792.9	24.9
1981	287.6	13.7	756.5	-36.4
1982	301.9	14.3	723.1	-33.4
1983	263.6	-38.3	730.7	7.6
1984	262.3	- 1.3	736.7	6.0

Source: Puerto Rico Department of Social Services

TABLE IV

PERSONAL CONSUMPTION EXPENDITURES - FOOD

IN MILLIONS OF 1954 DOLLARS



CHANGES IN NAP SPECIAL PROJECTS

1. IN FISCAL YEAR 1986, THE NUTRITION EDUCATION PROJECT WILL BE INTEGRATED AS A COMPONENT TO THE NORMAL ADMINISTRATION OF THE NUTRITION ASSISTANCE PROGRAM.

2. THE AGRO-INDUSTRIAL DEVELOPMENT FUND, A SOURCE OF GREAT CONCERN FOR US, WILL CEASE AS A SPECIAL PROJECT AT THE END OF THE CURRENT FISCAL YEAR, BY WHICH DATE OVER THIRTY-FIVE MILLION DOLLARS ($35 MILLION) WILL HAVE BEEN PLACED INTO THIS REVOLVING FUND.

3. THE TICK ERADICATION PROJECT WILL BE CONTINUED AT A REDUCED FUNDING LEVEL OF SIX POINT EIGHT MILLION DOLLARS ($6.8 MILLION) DURING FISCAL YEAR 1986. THIS PROJECT WILL ALSO CEASE UPON THE COMPLETION OF THE SPECIFIED, MULTI-YEAR PLAN.

4. THE CROP PROTECTION PROJECT WILL REMAIN AS A SPECIAL PROJECT, BUT AT THE REDUCED FUNDING LEVEL OF FIVE HUNDRED THOUSAND DOLLARS ($500,000) FOR FISCAL YEAR 1986. IN FISCAL YEAR 1985, THREE POINT ONE MILLION DOLLARS ($3.1 MILLION) WAS SET ASIDE FOR THIS PROJECT.

Mr. PANETTA. Thank you, Governor. First of all let me, as chairman of the subcommittee, welcome you. I apologize for being late, but I had a press conference with the California delegation that I had to attend. I want to welcome you here. It is a pleasure to have you come here and make your presentation because we do deal with this issue on a regular basis, and I appreciate your interest in coming here.

First of all, before I ask any questions, I was wondering if the chairman of the full committee would like to raise any questions or make any comments at this time?

REMARKS OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. Thank you, Mr. Chairman.

I would like to add my welcome to the Governor, our colleague Jaime Fuster, and the gracious, charming secretary of social services, Ms. Zayas, and Mr. Rodriguez. Governor, we are always very happy to have you.

I would like to mention to the members of the subcommittee that I visited with our colleague and with the Governor and with the secretary of social services in Puerto Rico. We toured areas of Puerto Rico, and I was able to see firsthand recipients of the assistance. One of the projects I visited which is provided for by this funding was a broiler production facility where a very small farmer begins growing the broilers and then brings them to a modern processing plant. Puerto Rico still imports the vast amount of their poultry from the mainland, but the local industry is very helpful. Everything I saw about the way the program is being handled was positive. The only inadequacy we saw was the need for more money since they have more people in need than we are able to provide for.

Governor, we are always happy to have you. I assure you that we will work with our colleague Jaime Fuster in trying to incorporate your needs into the overall food assistance legislation that we will be considering. I assure you the full committee will be most anxious to work with the members of the subcommittee to do what we can to be of assistance. Again, we welcome you.

Governor HERNANDEZ-COLON. Thank, you Mr. Chairman. We are very appreciative of your visit and of your seeing first hand the need of the people of Puerto Rico for this program. We are also very appreciative of your support for the program, and I am certain that the Puerto Rican people are very appreciative of your support and your recognition of their need. Thank you, sir.

The CHAIRMAN. Thank you, Mr. Chairman.

Mr. PANETTA. Thank you, Mr. Chairman.

First, before proceeding to questions, I would like to insert into the record a communication and testimony from my former colleague and classmate, Baltasar Corrada, who is now mayor of the city of San Juan. Without objection, I would like to insert that into the record.

[The prepared statement of Mr. Corrada appears at the conclusion of the hearing.]

Mr. **Panetta**. Governor, if I could ask you some questions, first of all, at the present time in Puerto Rico, how many people receive nutrition assistance?

Governor **Hernandez-Colon**. In March 1985, 401,782 families, amounting to 1,481,441 persons, were receiving the benefits of the program.

Mr. **Panetta**. Before I proceed further with questions—Ms. Zayas, do you have a statement that you would like to make for the record?

Ms. **Zayas**. I have some comments.

Mr. **Panetta**. All right. Why don't you go ahead and make those comments, and then my questions can be responded to by the entire panel. Go ahead. You may proceed.

Ms. **Zayas**. OK.

STATEMENT OF CARMEN SONIA ZAYAS, SECRETARY, DEPARTMENT OF SOCIAL SERVICES, COMMONWEALTH OF PUERTO RICO, ACCOMPANIED BY ENRIQUE RODRIGUEZ, ASSISTANT SECRETARY, ADMINISTRATION

Ms. **Zayas**. Mr. Chairman and members of the subcommittee, my name is Carmen Sonia Zayas, secretary of social services of Puerto Rico, which administers the Commonwealth's Nutrition Assistance Program [NAP]. I am assisted by Mr. Enrique Rodriguez, the department's assistant secretary for administration. He was the first Food Stamp Program director and has been in the department ever since.

I appreciate this opportunity to appear before you today in support of NAP's check issuance system and of the proposed inflation index adjustment to the program's funding. In the interest of time, I would like to summarize my remarks and submit the full testimony for the record.

Mr. **Panetta**. Without objection, your full statement will be made part of the record.

Ms. **Zayas**. Thank you.

As you are aware, Puerto Rico has had to accept a substantial reduction in Federal nutrition assistance under persistent adverse circumstances. It is, therefore, with a conflictive sense of loss and accomplishment that I can now report to you that the Commonwealth, mainly through its department of social services, has succeeded in organizing and administering its mandated block grant Nutrition Assistance Program [NAP] in line with the policies established in the Omnibus Budget Reconciliation Act of 1981 and the purposes and objectives of the Food Stamp Act of 1977. Additionally, program accountability has been enhanced, and it is now comparable to that attained in the mainland United States.

To adjust benefits to reduced resources, program eligibility has been sharply restricted and certification and verification procedures are now more stringent. The caseload has been reduced and has stabilized at 22 percent less than under the Food Stamp Program. More significantly, benefits have been redirected to lower income families and there is a wider participation by the disabled, elderly, and female-headed households.

Program administrative costs decreased by $9.6 million. This represents a savings of 12.6 percent in nominal dollars and 17.2 percent in constant 1983 dollars.

Despite the budget reduction, the Nutrition Assistance Program has reduced case error rates by more than 3 percentage points, and NAP personnel have maintained performance standards comparable to those prevalent on the mainland.

The most notable administrative change in the organization of nutrition assistance has been the direct delivery benefit system. Members of this subcommittee, which held special hearings on this issue on April 29, 1982, expressed concern about the possible adverse impact of check issuance on the nutritional and food expenditure levels of NAP recipients.

Data available at this time, though limited, tend to indicate check issuance has not led to widespread misuse of nutrition assistance benefits. Representative sample surveys of beneficiaries indicate that the majority cash their checks at food stores, which has been confirmed by internal check processing. Recipients shop at the same type of store and buy the same amount of food as under the Food Stamp Program. Through the caseload reduction, monthly benefits under NAP are comparable to those under food stamps. Total food consumption patterns in Puerto Rico have remained stable, while per capita disposable income has decreased in real terms since 1980, and Nutrition assistance program funds have been sharply reduced.

Fraud cases decreased sharply with the conversion to NAP. Unlike the Food Stamp Program, the NAP cash system has not seen the development of black market activities.

The complicated distribution system and the resulting long lines under the food stamp programs have been replaced by direct check issuance through the mail. NAP participants prefer the latter method 4 to 1, since they consider it safer and more convenient.

The substantial administrative savings anticipated from check issuance, and which largely prompted its adoption, have been obtained. Careful independent analysis of all budget items, estimate administrative savings from check issuance at a level of 11 to 15 percent from previous food stamp expenditures. These savings are essential to Puerto Rico due to the inflationary erosion of the block grant cap.

I am happy to report today that groups which were previously skeptical about the effects of the check system, now express their support for this program. To this effect, I would like to present a copy of a letter from the Puerto Rico Chamber of Commerce for the record. I am also accompanied today by Mr. Johnny Luna, president of the Puerto Rico Food Wholesalers, Importers and Retailers Associations's board of directors, and Mr. Damian Folch, secretary of the board. They have a letter in support of the program which I am also submitting for the record.

It is on the basis of need and of an accountable and efficient administration, Mr. Chairman and members of the subcommittee, that the Commonwealth of Puerto Rico requests the extension of its current block grant cash Nutrition Assistance Program, with the provision that it be indexed for yearly increases in the price of food.

Thank you.

[The extended remarks of Ms. Zayas appear at the conclusion of the hearing.]

Mr. **Panetta**. Thank you very much.

Does anyone else wish to make a statement at this time:

[No response.]

Mr. **Panetta**. Governor, as I was asking, in terms of the number of people who are receiving food assistance, I understand that roughly, about a third of your population is on nutrition assistance at the present time?

Governor **Hernandez-Colon**. Maybe more, closer to 40 percent. Well, 53 percent of the households.

Mr. **Panetta**. Fifty-three percent of the households. Do you know, let's say, over the last period of 5 years, whether that figure has gone up, down, stabilized generally, or compare it with the last 2 years, whatever——

Governor **Hernandez-Colon**. It has gone down because of the reduction of the eligibility requirements.

Mr. **Panetta**. It went down?

Governor **Hernandez-Colon**. It has gone down because the eligibility requirements were made more restrictive.

Mr. **Panetta**. So as a result of going to the block grant kind of approach, is that when it was reduced?

Governor **Hernandez-Colon**. Yes; under the Food Stamp Program in 1982 we had 515,000 families under the program and now, as I mentioned before, we have only 401,782 families.

Mr. **Panetta**. I see. You have about 22 percent unemployment in Puerto Rico at the present time?

Governor **Hernandez-Colon**. Yes, Mr. Chairman.

Mr. **Panetta**. As part of the block grant program, is there any kind of job search or any kind—I guess what I'm asking is, in terms of the general situation in Puerto Rico, the economic situation in Puerto Rico, do you envision that you're going to be dealing with 22 percent unemployment over a period of time or is that something you hope to be able to improve? What do you forecast in terms of the next 2 or 3 years?

Governor **Hernandez-Colon**. My administration has made job creation the first priority for the Commonwealth government. We are undertaking short-term job creation efforts by stimulating the construction industry, and longer term efforts by stimulating manufacturing, tourism, agriculture, and commerce. We hope to make a significant dent in this 22 percent unemployment, though it will still be in the upper levels of the—I would say between 15 and 20 percent. To be realistic, we do not believe that we can bring it further down than that. Within that range is our objective.

Mr. **Panetta**. Somewhere between 15 to 20 percent?

Governor **Hernandez-Colon**. Between 15 to 20, more toward 15 than to 20.

Mr. **Panetta**. Over what period of time? Do you have any idea?

Governor **Hernandez-Colon**. Over a 3-year period of time.

Mr. **Panetta**. A 3-year period. As you know, generally as a subcommittee we have supported the effort there because with the unique situation in Puerto Rico, it made sense to give you the flexibility to deal with this program and to administer it as you saw fit, and in fact it has reduced the amount of fraud and black market activities that were prevalent at the time that you were operating under the standard Food Stamp Program.

The concern that is raised over and over again, however, is whether the funds are in fact being used to buy meals, to buy food, or whether they are being used for other purposes. What I would like to have is the best information you have at the present time as to how those funds are in being used. Is there any evidence that those funds are being used for purposes other than the purchase of food?

Governor HERNANDEZ-COLON. We have no evidence of it, Mr. Chairman, and the statistics of food consumption indicate an increase. I think the most eloquent testimony of the effectiveness of the program is the presence here of the gentlemen from the Puerto Rico Association of Food Importers and the Chamber of Commerce. They originally were skeptical about the change in the program from food stamps to checks. Nevertheless, after seeing it in operation they have become convinced that it is a program that is constrained or directed to the nutritional needs, and they have seen it in terms of their sales, so they are here to support the program.

Mr. PANETTA. That is additional support, because as I recall 2 years ago these same groups opposed moving in this direction, so that having their support now indicates that they at least see that the funds are being spent for that purpose.

Let me ask, I assume you have emergency food provisions in Puerto Rico, in the sense of either soup kitchens or emergency food centers or church groups or charitable groups, that provide for and meet emergency food needs. If that is the case, I would be interested in whether you are seeing an increase in the use of those emergency food areas or whether it has stabilized or decreased, because that would give us some evidence as to whether or not people are using those funds for the purpose of purchasing food.

Governor HERNANDEZ-COLON. In my experience, I have seen no increase in this type of food distribution action by church groups or groups of this nature. Now the Secretary informs me that there are certain Federal programs under which food is distributed——

Ms. ZAYAS. That's another program.

Mr. PANETTA. Pardon me?

Ms. ZAYAS. That's another program.

Mr. PANETTA. Which?

Ms. ZAYAS. The distribution? You are talking about a different program or you are talking about the same program?

Mr. PANETTA. The Commodity Distribution Program? Is that what you're talking about? Well, I'm not talking about any particular program. I'm talking, about whether you have noted that in San Juan, for example, food services or soup kitchens are finding more people who need food.

Ms. ZAYAS. No.

Governor HERNANDEZ-COLON. No, no.

Ms. ZAYAS. No.

Mr. PANETTA. Do you provide any kind of emergency food, in other words, emergency food packages? We have that kind of thing in the States, and I'm wondering whether that's true in Puerto Rico.

Governor **Hernandez-Colon**. No, Mr. Chairman. Only in emergency situations such as a hurricane that may come by or something like that——

Mr. **Panetta**. I see.

Governor **Hernandez-Colon** [continuing]. But under normal conditions the program works very well in order to attain the nutritional needs of people.

Mr. **Panetta**. All right. My point is that you are not seeing an increase——

Governor **Hernandez-Colon**. Not at all.

Mr. **Panetta** [continuing]. With regard to either churches providing food or charities providing food, or that type of thing?

Governor **Hernandez-Colon**. Not at all, not at all.

Mr. **Panetta**. Part of the Puerto Rico block grant was used for the purpose of agricultural projects. I think about $25 million was used for tick eradication, crop protection, and some loans and nutritional education. You are proposing a reduction from $25 million to $7.3 million for that purpose. Could you tell me what areas you're going to be eliminating or what areas you're going to be focusing on?

Governor **Hernandez-Colon**. I'll let the Secretary speak to that. You have it at the end of my testimony. It says "Changes in NAP Special Projects." It's the Agro-Industrial Development Fund that will suffer the most significant reduction.

However, I would like to mention that for this year the Agriculture Department is proposing the use of some $10 million for a marketing and distribution program of the produce of Puerto Rican farmers, and that we are considering seriously putting forward that special project.

The tick eradication project will be continued and the crop protection project will remain as a special project.

Mr. **Panetta**. At the present time the bulk of your agriculture is located where? Still in the sugar industry?

Governor **Hernandez-Colon**. No; the sugar industry has been substantially reduced. It hardly meets the needs of our local consumption.

Mr. **Panetta**. Could you tell me what the nature of your agriculture is at the present time? Is it a diversified agriculture?

Governor **Hernandez-Colon**. It is a diversified agriculture. There is a substantial amount of production of poultry, hogs, eggs, what we call the minor crops which are used in the Puerto Rican diet, such as yams, some citrics. Nevertheless, we are dependent on imports for about 90 percent of our food consumption. What we have is diversified vegetable programs which were initiated in the southern coast; a rice program was initiated in the northern coast. There have been problems, serious problems, with both of those programs, and we are making an effort to grow in our agricultural production so that we can reduce our dependence on imports.

Mr. **Panetta**. Mr. Governor, let me clarify one thing. As a subcommittee of the Committee on Agriculture, in the recommendations we made to the Budget Committee we did provide for a range between $825 to $863 million which would provide for an increase on the inflation rate if we determined we would do that. I don't want to by any means give you the indication that that is a fact at this point. It's still a battle, but the room might be there to make some adjustment. You still have a lot of work to do, particularly in a year when we're facing stringent budget constraints.

Nevertheless, it is my view that the program that you're implementing in Puerto Rico makes sense for Puerto Rico. I'm not sure it makes sense for the States here and, obviously for that reason, I oppose block granting this program in the United States. I think we need a national program here for the United States and that it ought to be maintained as such. You have a unique situation in Puerto Rico. You are able to handle that well and I think it should be continued, at least in the interim.

Now a lot of this obviously depends on the reports that we get back from the Department of Agriculture as to the impact that this program is having there. We will await that report, and hopefully it will come before we mark up this legislation, but I think generally we would commend you and commend those in Puerto Rico who are implementing this program, because I think overall my view is that this program is much more effective in terms of meeting the nutritional needs in Puerto Rico itself.

Governor HERNANDEZ-COLON. Thank you, Mr. Chairman.

Mr. PANETTA. Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Governor, the Department of Agriculture of course is now in the process of completing the study that was requested by Congress but I'm wondering, do you have any studies that have been conducted by the Commonwealth of Puerto Rico bearing on the same subject?

Governor HERNANDEZ-COLON. No, sir, we don't.

Mr. EMERSON. You don't? You don't have any information separate and apart from that which the Department is going to——

Governor HERNANDEZ-COLON. No; we do not.

Mr. EMERSON. Do you operate any employment and training programs for food assistance participants in Puerto Rico?

Governor HERNANDEZ-COLON. We do not operate special projects for them. We do operate employment training programs and participants in the nutritional program are referred to the job training programs of the Labor Department of Puerto Rico.

Mr. EMERSON. I see, but they are not directly tied to the food stamp program?

Governor HERNANDEZ-COLON. No; they are not.

Mr. EMERSON. Thank you very much.

Mr. PANETTA. Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

Governor, I wanted to say at the outset, before asking you a couple of questions, that I had the pleasure of chairing a public hearing in Puerto Rico about a year ago after the chairman was unable to make the meeting, and it was for the purpose of examining the subject of cash versus food stamps and the general administration of the program. I must say that after finishing that meeting and visiting some of the offices that administered the program and visiting some churches and other places where food was being distributed, and hearing the testimony of both the business people, government people, and individuals, church people, I came away from there very, very complimentary to Puerto Rico for the ability to administer the program in an efficient way that reflected credit on the island in every respect.

I think it was particularly interesting that the testimony pretty much confirmed your desire to stay on a cash basis. We had a lot of evidence, as the chairman knows, of abuse under the former food stamp situation, where food stamps were discounted by many people. They were sold. Their value finally ended up at 60 to 80 percent of the face value. There was really quite a black market generated. Now that you are on a cash basis that is eliminated. Food stamp recipients are not identified as they go about their purchasing. Merchants who might have had a tendency to price opportunistically no longer can do that. I came away feeling that the administration was reasonably tight and that you had accommodated.

I wanted to ask you, do you have anybody left in the group who is recommending going back to the stamps as opposed to cash?

Governor HERNANDEZ-COLON. In Puerto Rico?

Mr. OLIN. In Puerto Rico.

Governor HERNANDEZ-COLON. No, sir. No.

Mr. OLIN. That doesn't surprise me.

Now on the subject of the question of an index on the $825 million, you have been very successful in accommodating the reduction that was put through in 1982, and of course you have been living with a fixed amount since that time. Can you describe a little bit more how that has worked out? In other words, what have been the consequences, if anything? You have fewer people in the program, but what have been the consequences with regard to the nutrition situation in Puerto Rico in your opinion during the past 2 or 3 years since you have been making this transition?

Governor HERNANDEZ-COLON. What we did was, we eliminated a substantial number of families at the upper range of income, and we are now serving the families of the lowest incomes. By this mechanism, we believe that we are attending to the nutritional needs of the really most needy. There may have been an effect as to those families that suffered the elimination from the program, but they were in the better position to absorb that.

Mr. OLIN. You did not develop any evidence that there had been real suffering on the part of the people that were eliminated because of the new eligibility? They were able to get a sufficient amount of food?

Governor HERNANDEZ-COLON. This may turn up in the USDA study that has yet to be submitted.

Mr. OLIN. That study bears on that point.

Let me ask you first, are you still using the figure of $8,000 per family of four as the eligibility rule?

Governor HERNANDEZ-COLON. Yes, sir.

Mr. OLIN. Is that your official estimate of the poverty level in Puerto Rico, $8,000, or is it a different number that you use internally for other purposes?

Governor HERNANDEZ-COLON. $7,412 is the poverty level established under the 1980 census.

Mr. OLIN. Has that level changed with the change in the economic situation in Puerto Rico? Has that changed since 1980?

Governor HERNANDEZ-COLON. We don't have the answer. We will have to supply it.

Mr. OLIN. I would be interested in how that poverty level number has moved, if at all, over the last 4 or 5 years. Could you tell me what has been the index or what has happened to the inflation of food costs? If we take the same period, 1980 to 1985, do you have any data on that at all?

Governor HERNANDEZ-COLON. The cost of food in Puerto Rico has increased by 3.6 percent from June 1982 to June 1984, compared to 3.1 for the United States. That's according to the USDA.

Mr. OLIN. If we were to keep the flat figure on the block grant for another 4 years, could you give me some idea of your estimate of what the consequences would be in Puerto Rico of continuing a flat figure rather than indexed?

Governor HERNANDEZ-COLON. The same families will continue to receive the assistance but it will be reduced, so they will not be able to meet their nutritional needs in the same way that they are doing now.

Mr. OLIN. You would keep the eligibility where it is?

Governor HERNANDEZ-COLON. Yes, we would keep it where it is.

Mr. OLIN. Merely allocate the available money?

Governor HERNANDEZ-COLON. That's what we would do.

Mr. OLIN. OK. I want to say again that I congratulate you on the attention that Puerto Rico has put to this program and the diligence and care with which they administer the program. I was very much impressed with that.

Thank you, Mr. Chairman.

Thank you, Governor.

Mr. PANETTA. Thank you, Mr. Olin.

Mr. Chairman.

The CHAIRMAN. I have two or three questions I would like to submit, I guess to Ms. Zayas, so we can have the information for the record.

I understand that you had considerable administrative savings in going from the food stamps. Do you have a figure or a percentage?

Ms. ZAYAS. $9.8 million.

The CHAIRMAN. Your administrative savings in switching from one program to the other was $9.8 million?

Ms. ZAYAS. Yes.

The CHAIRMAN. Also you mentioned, Governor, in your testimony that the error rate was reduced 3 percent.

Ms. ZAYAS. Three percent, yes.

The CHAIRMAN. That's from what level to what level?

Ms. ZAYAS. We don't have the levels. We can submit the levels.

The CHAIRMAN. But there was a reduction of 3 percent or so in error rate?

Ms. ZAYAS. Yes; there was a reduction of 3 percent. We can submit in writing, you know, what it was before and the changes, if you want.

The CHAIRMAN. Under the Food Stamp Program you had about 58 percent of the population participating. With the reduction in participation, what percentage of the population currently uses food stamps?

Ms. ZAYAS. We are serving now 53 percent of households, and we have 58 percent of households under the poverty level, as per the census of 1980.

The **Chairman**. Fine. Thank you very much.

Again, I want to welcome you and thank you for your participation in this hearing, Governor. I assure you we are interested in cooperating with you for the benefit of the people of Puerto Rico. In my first session as chairman of the committee we were confronted with a situation where someone challenged the right of the people in the Commonwealth of Puerto Rico to participate in programs that would benefit the American people. I said then and I say now that the right was earned by the many thousands of coffins that came back to Puerto Rico draped with the American flag, and no one should question or in any way attempt to treat Puerto Ricans differently because you have earned the right, as any other citizen has to participate in our programs. I assure you that our cooperation will take that into consideration.

Mr. **Fuster**. Mr. Chairman, if I may, I would like to make a personal comment on this topic which is based, on my own experience. When I go back to my home district I make it a point if I can to visit some of the beneficiaries of the food assistance program in Puerto Rico, I cannot give you a hard, empirical data but I think it would be helpful for you to know what I have learned from talking to some of these people regarding the effect that the Food Stamp Program has had on Puerto Rico.

I want to tell you that I am one of those that from the very beginning has been very worried that the check system might not be used for the purposes mandated by the Congress. I am happy to tell you, however, that I no longer have any misgivings as to that issue, in part, because of the fact that has already been presented to you—that the retailers which formerly were not in favor of the cash system are now supporting it because according to their own experience people are using the money to buy food. The retailer's experience is an important piece of evidence that verifies what the informal surveys from the Federal Agriculture Department have shown and which coincides with what I have learned in my own conversations, both with owners of small grocery stores and with the recipients of these funds.

It is clear in my mind now—and I just wanted to give you the benefit of this personal information obtained from talking to my constituents—that people are using the money to buy food and that the money they are receiving doesn't go far enough in fulfilling all the needs they have. This is a common complaint I get from my constituents over and over again. They are very appreciative to receive the money they are receiving now, but it is clear that it doesn't go all the way in satisfying their nutrition needs.

This is the reason why I, cognizant of the problems we have nationally regarding the budget, thought that we should at least try to index these programs for inflation and keep the program in its present form. As I say, it is something that has come out from my direct experience with constituents, and although it is not the type of empirical and rigorous evidence that you need, I think it is very important to keep it in mind.

Thank you, Mr. Chairman.

Mr. **Panetta**. Thank you very much. Thanks to all of you for the testimony that you have provided.

As you may know, and maybe you don't know, we have been through some tight battles on this issue, going down to the wire sometimes, in terms of trying to protect the program. Last year and I guess the year before it was in last minute negotiations that we were able to get the program continued. I hope we don't have to go through those same battles this year. My sense is that everybody recognizes how the program operates, and my hope is that we can incorporate it in the overall bill and hopefully continue the program so that you can continue to deal with the particular problems that you have in Puerto Rico.

Thank you very much for coming here.

Mr. Emerson. Mr. Chairman.

Mr. Panetta. Mr. Emerson.

Mr. Emerson. I would like to ask unanimous consent to reserve for the gentlemen from Missouri, Mr. Coleman, the right to submit a statement for the record and to submit questions in writing if he so desires.

Mr. Panetta. Without objection, that will be ordered.

I would recommend that your group take the time to visit with Mr. Coleman as well on this issue, as long as you are here. Thank you.

The next witness is Mr. Brian Crowley, who is Senior Assistant Director of Resources, Community and Economic Development, with the U.S. General Accounting Office.

Mr. Crowley, thank you for coming here and thanks to all of you for appearing. We have copies of your report. However, to be frank, the report is something we have just received and therefore we are going to rely a great deal on your testimony in summarizing it and we will probably want to ask you further questions later on down the road.

Mr. Crowley, you may proceed. Your statement will be made part of the record and you can either read it or summarize it as you wish.

STATEMENT OF BRIAN P. CROWLEY, SENIOR ASSOCIATE DIRECTOR, RESOURCES, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JOHN ALLEN, EVALUATOR, FOOD STAMP WORK; STAN SARGOL, GROUP DIRECTOR; AND BARRY HILL, ASSIGNMENT MANAGER

Mr. Crowley. Thank you, Mr. Chairman. Let me introduce the people with me here at the table. On my far right is John Allen, who is an evaluator for our food stamp work. To my immediate right is Mr. Stan Sargol, who is our group director for food stamp work, and to my left is Barry Hill, who is the assignment manager in that area.

Mr. Chairman, our report was only issued today, and I regret that we were not able to get it up to you in advance of these hearings. We did put on a press to get it out. It was printed just last night. Let me just tell you a few things about the report.

If you will look at the table of contents, it has a number of issues raised in chapters 2 to 6. Under each issue, there are some subtitles which are topical areas that I think you will be very interested in. Essentially my statement today is going to summarize some of the matters that are in that report.

The purpose of the report is to assist you in your deliberations on the food stamp sections of the 1985 farm bill. It is not a usual GAO product. The report is based on our past and ongoing work, interviews with various individuals and organizations, and a review of reports and papers from various sources. In the back of the report you will find a bibliography that is about 10 pages long. It lists the reports and studies we considered in developing our report.

We talked to a lot of individuals to try to come to grips with what are the major issues in the Food Stamp Program this year. We grouped those under five major program issues. Those are, namely, program accountability and integrity, program simplification, nutritional adequacy of the program, interrelationship of the program with other food assistance programs, and program coverage and eligibility requirements.

Under each of these major Food Stamp Program issues which are referred to in the table of contents, we have developed about 22 to 24 subissues. Under each of those subissues we discuss its implications and related concerns, any past efforts to address those concerns, actions that remain to be taken on our prior recommendations, and what else needs to be considered.

The report does present our views on some of the issues. Others are left open because either we did not do original GAO work regarding them, or they involve congressional policy or would frankly benefit from an expression of congressional views.

I am not going to cover in my statement all of the matters in the report but I would ask that a copy of the report and my full statement be made part of the hearing record.

Mr. PANETTA. Without objection, the report will be held in the committee files.

Mr. CROWLEY. Thank you.

Let me talk about the first issue, which is accountability and integrity. Although showing signs of decreasing, program errors each year still cause about $1 billion in overissued benefits to households that were ineligible or that received more than they were entitled to, and $250 million in underissued benefits to households that received less than they were entitled to. The Congress has, on several occasions, legislated changes in the program that provide additional incentives and operating tools to encourage and facilitate program improvement, and Agriculture has established implementing regulations and taken other steps that have enhanced program effectiveness and efficiency. However, some issues remain.

—The error rate sanction system bases sanctions on the amount of a State's federally reimbursed program administrative costs, rather than on the amount by which its overissuances exceed the established error-rate target. Also, the target itself is higher than the target in the Aid to Families With Dependent Children [AFDC] Program—another major needs-based program. To strengthen the sanction system, Congress could change the way sanctions are computed and/or could lower the error rate target. This would give States a fuller measure of financial responsibility for excessive losses due to program errors.

To identify potential food stamp overissuances and correct improper issuances, States are required to use wage matching. The States and Agriculture need to place greater emphasis on automating wage data, wage matching, and providing for better followup on potential error cases while guarding against excessive intrusion into individuals' privacy.

It has historically been difficult to collect overissuances of food stamp benefits. To improve the recovery of overissuances, the Congress has authorized States to collect claims by recouping benefits from current participants for participant-caused overissuances. Also, the Congress recently authorized intercepting Federal income tax refunds to collect debts owed the Federal Government.

Efforts to collect food stamp overissuances could be materially enhanced by an additional legislative change to expand the use of recoupment to all food stamp claims—agency caused as well as participant caused. Also, because Agriculture is not certain whether the provisions to intercept tax refunds applies to food stamp overissuances, congressional clarification in this regard would be helpful.

Regarding monthly reporting, questions have been raised whether monthly reporting is an effective approach for reducing overissuances, and some have suggested that the requirement be eliminated. The Deficit Reduction Act limits application of AFDC's monthly reporting requirement to households with recent earned income or work history. Food stamp legislation allows the program's monthly reporting requirements to be made compatible with AFDC's. Therefore, the limitation in the Deficit Reduction Act will also serve to limit the use of monthly reporting in the Food Stamp Program. It may be appropriate to retain the monthly reporting requirement to see how it works or does not work under the highly targeted approach now permitted.

Progress is being made in reducing losses in the physical delivery of program benefits—that is, food coupons—to participants, but millions of dollars are still being lost each year. That has decreased, by the way, from about $34 million a year to about $14 million. Most of these losses are incurred under delivery methods involving the mailing of benefit authorization cards or food coupons to participating households, and it is primarily the food coupons.

Program legislation and regulations make States liable for only part of the losses under these methods. Other methods being used to a lesser extent are less vulnerable to losses but leave the States fully liable for all losses. Modifying legislative and regulatory provisions for States' financial liability for benefit delivery losses could provide incentives for the States to use the most effective available delivery systems to further reduce issuance losses.

An optional program feature, called workfare, used in some locations, requires certain unemployed or underemployed able-bodied food stamp recipients to work in public service jobs in exchange for their food stamp benefits. Workfare has been shown to be administratively feasible but reported results vary. The Congress will probably have to struggle with the question about whether that should be made mandatory or remain optional.

The extent of fraud in the program is not known but program officials agree that it is a serious and pervasive problem. Some progress has been made in addressing this problem. States are required to pursue suspected fraud and such cases can be adjudicated through the courts or through administrative hearings. Both avenues have drawbacks. States are often disinclined to use the courts, and the administrative approach has problems because of the cost, the fact that virtually the same high level of evidence is required as in the courts, and the difficulty of enforcing judgments. Agriculture needs to work with the States to eliminate, or greatly reduce, the main administrative hearings barriers and to continue to promote more effective pursuit and adjudication of suspected fraud to deter and prevent program losses.

The second issue I will discuss relates to program simplification. State and local food stamp offices have expressed concerns about the need to provide more efficient, systematic, and simple procedures for the program. A legislative change to redefine a household so that persons living together would be treated as a single household would help reduce program abuse, free staff time for other purposes, and reduce benefit costs. Although such a definition may not precisely fit the circumstances of every program applicant, it would simplify the eligibility/benefit process.

Establishing one or more standard income deductions to replace individualized income deductions currently used would simplify eligibility/benefit determinations and reduce errors. One of the consequences of standardization, however, would be that some households would get more benefits and others less.

Authorizing participants in certain other needs-based programs to automatically, or categorically, be eligible for food stamp benefits would save time and effort. However, because different needs-based programs have different eligibility standards, changing the law to authorize categorical eligibility for food stamp benefits could result in eligibility inequities that would need to be addressed and resolved.

Witnesses before me today discussed a little bit about the block grant approach. Appropriate congressional safeguards would need to be added under a block grant approach, but it could enable the States to redesign and simplify program procedures to suit their own particular situation or needs.

Cashingout the program is another option which would greatly simplify benefit delivery procedures, but it could diminish the program's nutritional orientation because the cash could be used for nonfood purposes. What impact cashingout would have on operating costs and program losses has not been specifically determined. The Puerto Rican experience might be able to assist you in that regard.

With regard to nutritional adequacy, given past and present budget austerity initiatives, questions sometimes arise from congressional sources, program officials, and others as to whether the nutritional and health aspects of the Food Stamp Program are adequately helping to meet the needs of low-income households. Some believe they are; others believe they are not. Some key concerns persist.

There is some question as to what the nutritional impact of the Food Stamp Program has been. Are food stamp households obtaining a nutritionally adequate diet, and if not, why? Definitive information on the program's nutritional effectiveness is not available but may be needed to assess the program's impact.

Program regulations are intended to assure that participating households use their food coupons to buy food needed for their diets through regular market outlets—primarily retail stores specially authorized for that purpose. Agriculture data show that under existing criteria, almost a quarter million retailers have been authorized to accept food coupons as of July 1984. Almost half of them were categorized as convenience, specialty, and combination stores—including some whose primary business is the sale of items not eligible for purchase with food coupons. These types of retailers accounted for only about 15 percent of food coupon redemptions. Tightening retailer authorization criteria through legislation and regulations could help ease the program's retailer management and monitoring burden and better assure achievement of the program's nutritional objective.

Another item is eliminating the Food Stamp Program's purchase requirement. It simplified the administrative processes. It may also have adversely affected achievement of the Food Stamp Program's nutritional objective, because assurances no longer exist that participating households are spending part of their income for food.

In addition to the three foregoing concerns, several additional concerns involve aspects of Agriculture's Thrifty Food Plan—a low-cost diet plan that specifies the cost, quantities, and types of foods that can provide a nutritious diet for a model four-person household, and has built into it economies-of-scale factors for other size households. This plan is a basis for determining food stamp benefits.

Policymakers and others have raised questions as to whether the total benefits that could be received under Agriculture's Thrifty Food Plan are adequate to enable households to meet their nutritional needs. There has been recent congressional interest in having the plan reevaluated.

Under the Thrifty Food Plan, food stamp benefits are based on Agriculture's model four-person household, consisting of a man and woman and two children. This model was developed in 1971. An updating of this household makeup may be in order because it may not be representative of the average food stamp household today.

The nutritional needs of persons of different sex and age vary. Consequently, the Food Stamp Program's standardized benefits equal the food costs in the Thrifty Food Plan only in cases where a household's composition happens to be identical to the model household. An individualized benefit system that would take into account the age and sex of household's members could better meet the nutritional needs of participating households, but its administrative feasibility would first need to be studied by Agriculture.

The Thrifty Food Plan has economies-of-scale adjustment factors to determine food stamp benefit levels for households that have more or less members than the four-person model household. Because these factors are based on 1965 data, they may no longer be appropriate and may require study by Agriculture.

The fourth issue involves the interrelationship of the Food Stamp Program with Agriculture's 10 other domestic food assistance programs and with the Department of Health and Human

Services' AFDC and Supplemental Security Income [SSI] cash assistance programs. The basic goals of these programs are similar, and households can and often do, receive benefits from more than one of these programs simultaneously. In fiscal year 1984, Agriculture's 11 domestic food assistance programs and the AFDC and SSI programs cost the Federal Government over $30 billion.

Each of these programs is based on separate authorizing legislation and regulations, and the management roles of the Federal, State, and local agencies that run the programs vary by program and State. The different roles, funding systems, and operating demands have added to the confusion of program administrators as well as program participants and those potentially eligible to participate. We believe that two aspects of the interrelationships among these assistance programs need to be addressed.

First, some food stamp households receive noncash benefits, such as school meals and housing assistance, from other Federal assistance programs. Such benefits are legislatively excluded from food stamp eligibility and benefit determinations. These exclusions should be reexamined.

Second, we reported in 1978 on the differences in eligibility and administrative requirements among the various food and income assistance programs. Such differences still exist and cause program errors. Agriculture and other involved agencies should propose consistent requirements, study the effects such requirements would have on the programs and participants, and report the results to the Congress for action.

Finally, the last item that I will cover is program coverage and eligibility requirements. Agriculture has estimated that about two-thirds of all persons eligible for food stamp benefits participate in the program. It therefore follows that many low-income Americans are not participating—some may simply choose not to apply while others may be uninformed about eligibility for the program. Also, some have questioned whether program criteria excludes needy people from the program. Further questions have been raised about whether State regulations restrict food stamp participation by the homeless and others.

Congress may want to consider whether available estimates of program coverage accurately reflect the current situation; whether such coverage is viewed as a problem; and what degree of coverage would be reasonable. Based on this, decisions could be made as to whether any further actions, such as outreach, are needed.

Some view the Food Stamp Program rules as excluding needy people from the program because of the gross income cap of 130 percent of the poverty level and because of liquid asset limitations. It is not clear to what extent households that cannot meet these criteria should be considered needy. We recommended in a 1978 report that the Congress adopt a uniform definition of the term needy for food assistance purposes. Such a definition could help settle concerns as to whether needy people are being inappropriately excluded from participation in the Food Stamp Program.

The last subissue deals with homelessness, which has become a much more visible problem in the United States, and concerns have been expressed as to whether the homeless are being inappropriately excluded from Food Stamp Program participation. Agriculture has directed that States make certain that eligible homeless persons not be denied program benefits because they do not have a fixed address. It is not clear, however, whether the Food Stamp Program, with its emphasis on purchasing and preparing staple foods for home consumption, is the best means of addressing the problem of feeding the homeless. Perhaps some kind of communal or meals-on-wheels approaches would be better suited to the homeless situation.

This concludes my statement, Mr. Chairman. I would emphasize that I discussed each of these areas separately but, as you can see by just this brief overview, some of the actions that you could take in one area would greatly affect another, and these kinds of things need to be taken into consideration.

Mr. Chairman, we would be glad to answer any questions you might have.

[The prepared statement of Mr. Crowley appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you. Did anyone else from the team want to make any comments?

Mr. CROWLEY. No, sir.

Mr. PANETTA. OK. Obviously I look forward to reading the report because I think what you do is, you raise as many questions as you answer, which has always been our dilemma on this subcommittee. Obviously there are a lot of issues that remain to be studied.

I don't know whether you focused on this in the context of your report or not, but one of the issues that we have discussed is the ability to try to in some way unify the qualification standards that are used with AFDC and try to apply them consonant with food stamps so that we don't have a multiplicity of qualification standards. Have you made any recommendations on that issue? Obviously you have a section on simplification. What are your views as to whether we can move toward joining those systems in some way?

Mr. CROWLEY. That particular point is discussed in the report and, as I recollect, we made recommendations to both USDA and to HHS to come up with a proposed new set of standards and look at the impacts that these standards would have on the programs and the participants involved, and then come back up to you with a proposal as to what they see as being the best approach. Our recommendations were addressed to both of those departments.

Mr. PANETTA. I guess one of the concerns I have—and, again, I haven't read the report so I may not be doing justice to this—but it is my sense from reading your recommendations and then trying to draw some common conclusions, is that you play these things a little bit out of all sides, and it depends on where you want to come down. You can then say, "Well, but obviously look at this side of it." I don't know how you can recommend looking at a block grant and then support trying to standardize benefits that are provided, if we assume that we are dealing with a national program. I mean, how do you come down on that?

Mr. CROWLEY. First of all, we are not advocating specific action on every matter discussed in this report. We are supporting program simplification because we have made reviews in that area.

Mr. PANETTA. Right.

Mr. CROWLEY. What we tried to do on this effort was to collate available information, both our own work and work done by others. For each issue we pulled together the principal subissues and concerns, provided an objective view of what has been done regarding those concerns, and what more should be considered or done. For some issues, you will have some of the, "it should be this way," or "it could be that way," discussion in the report. The report is intended to save you time in sorting out the issues.

Now for issues where we have done our own GAO work and have recommendations still outstanding, we have stated our position in the report. If I might refer you to pages 14 through 16, I can give you an example of how the report is organized. We start with a general discussion of the subissue of collecting overissuances. We then talk about—and this is on page 14—the past efforts to address the concern. This usually covers a page and a half to two pages. Then we discuss the actions that remain to be taken on our prior recommendations and, finally what needs to be considered. Each of the sections is organized in that fashion.

Mr. PANETTA. All right. Let me ask you some specifics. One of the areas you raise is with regard to questions involving the physical delivery of program benefits, and I think you commented that evidently the loss in that area has gone down from $34 million to $14 million. Am I correct?

Mr. CROWLEY. $34 million to $14 million, right.

Mr. PANETTA. The comment is made that we ought to use more effective available delivery systems to reduce those issuance losses. Do you have any specific recommendations on what kind of delivery systems could improve the present situation?

Mr. SARGOL. We have an ongoing effort that will produce a report continuing specific information in that regard. The report will discuss various kinds of systems that are being used to deliver food coupons and what their degree of vulnerability to loss is. There are available systems that do better than the systems that are being most used in the program today.

Mr. PANETTA. So that is something you both are working on?

Mr. SARGOL. Yes; it should be out soon.

Mr. PANETTA. OK.

Mr. CROWLEY. Mr. Chairman, there are about four different delivery systems that we will talk about in that report. The ATP and the direct mail systems are used most often, but we also point out that direct mailing of coupons is probably the most susceptible to losses right now. In contrast, the direct delivery and the online systems, which are less vulnerable to losses, are only used about 22 percent of the time.

Mr. PANETTA. Direct mail, you say, is the better system? Direct mail?

Mr. CROWLEY. Direct delivery and online. Direct mailing of coupons is the worst.

Mr. PANETTA. I see. Yes, that was my sense, too. You're talking about some kind of direct delivery system. The trouble is, in urban areas I just don't know what the most effective way to deal with large numbers of recipients might be?

One of the areas, at least in your testimony, that you seem skittish on is workfare. It looks like you have done some work on that—have you?

Mr. CROWLEY. Yes, we have.

Mr. PANETTA. I'm interested in what results you may have? Obviously, there are only so many projects that are actually dealing with workfare. You've got San Diego and maybe a couple of others. Would you like to comment on this subject?

Mr. CROWLEY. The work we did on workfare is several years old now. We started back when workfare was first being proposed as an option for the Food Stamp Program. At that time we concluded that the workfare was administratively feasible, but we didn't find any evidence that would indicate whether this is something that the Congress ought to mandate or not. We were asked just to determine whether it could be done and we concluded that, yes, it could be.

Mr. SARGOL. What we found, Mr. Chairman, was that at that early stage of the game it was operated so inefficiently that you really couldn't get a good reading on what its potential was. So we concluded that it was administratively feasible but we were never able to determine how effective it was.

Some studies we have seen report that it's effective. San Diego, for example, is one of them. However, others indicate that it's not very effective. So, that is kind of up in the air.

Mr. PANETTA. I guess I'm not sure I understand what you mean by administratively feasible. There are an awful lot of things that are administratively feasible. The real question is, Does it make any sense? The question here would be if you're going to implement that kind of program, how much of an administration would you need to put it into effect, and what would be the cost of that administration and what would be the results of putting that kind of mandatory system into effect? It seems every time we mandate something at the Federal level, we then promote it with an even larger bureaucracy to try to make it all work. That is one of the concerns I have, and obviously that's one question that we have to wrestle with.

You indicate in one area that we're looking at about $1 billion in overissued benefits, but then later on state that the extent of fraud in the program is not known. I guess what I'm wondering is, if overissued benefits could be the result then not necessarily of fraud but of just administrative problems or——

Mr. CROWLEY. That is correct. It could be participant-caused errors or agency-caused errors.

Mr. PANETTA. You don't have any kind of tie-in as to what percentage is due to what area?

Mr. CROWLEY. I don't——

Mr. PANETTA. Where do you get this number?

Mr. SARGOL. The $1 billion?

Mr. PANETTA. Yes.

Mr. SARGOL. It's a projection based on quality control reviews that are made by the States.

Mr. PANETTA. Did you get that from USDA or——

Mr. SARGOL. Yes.

Mr. **Panetta**. And you've got what, about $250 million, in overissued——

Mr. **Sargol**. Underissued.

Mr. **Panetta** [continuing]. Underissued benefits?

Mr. **Sargol**. Yes.

Mr. **Panetta**. Did you look at the area of computerization at all and what computerization might do to improve the operation of the program?

Mr. **Sargol**. We looked specifically at the use of computerization in wage matching and found out that wage matching could be greatly enhanced if it would be automated. A lot of the wage matching was being done manually, and it was very cumbersome and time consuming. We came out in our report with a strong recommendation for greater automation in the wage-matching process. That's about the extent to which we covered automation in the operation of the program.

Mr. **Panetta**. Did you look at the level of computerization that's currently in effect in terms of the Food Stamp Program?

Mr. **Sargol**. Not overall, no, sir.

Mr. **Panetta**. Obviously one of the areas we have had a concern about is the lack of definitive information on nutritional effectiveness, and that is one of the areas we're trying to emphasize. Have you looked at any efforts as to how that can be improved in terms of nutritional information, use of food stamps for better nutritional purposes?

Mr. **Sargol**. No; not specifically. However, I believe that in the past we have always come out in favor of obtaining information on how well the program is contributing to the nutritional well-being of the people being assisted.

Mr. **Panetta**. You're saying there just is no information gathering on that issue, so it's really a blank?

Mr. **Sargol**. To my knowledge there is not.

Mr. **Panetta**. On the recommendation regarding the purchase requirement, obviously there is a long history of the additional administration needed where you've got the purchase requirement. Is that all part of your report?

Mr. **Sargol**. There is a discussion of the purchase requirement in the report. The issue is raised because we have seen indications that people are talking about possibly reinstating the purchase requirement. It did accomplish certain things, but there may also be tradeoffs involved.

Mr. **Panetta**. What's your perception on the thrifty food plan? Is it adequate or isn't it adequate in terms of serving the people who are receiving the benefits?

Mr. **Sargol**. We have not made an evaluation of the thrifty food plan. It is one of the areas that we have targeted for work in our long-range planning, but we have not done such work to date.

Mr. **Panetta**. Mr. Emerson.

Mr. **Emerson**. Thank you, Mr. Chairman.

Mr. Crowley and your associates, thank you for coming. Your testimony gives a very good review of the Food Stamp Program and I intend to review your report in detail.

You mention quality control sanctions. Are you familiar with the provisions of H.R. 5151, in which the food stamp sanctions were tightened? If so, would you comment on those?

Mr. SARGOL. As I recall, H.R. 5151 talked about basing the computation of sanctions on the amount of overissuances rather than on the amount of administrative funding. That is one of the tightening measures that we talk about in the report. We do believe that would tighten up the program.

Mr. EMERSON. So you think we were on course?

Mr. SARGOL. Pardon?

Mr. EMERSON. You think we were on course.

Mr. SARGOL. Yes.

Mr. EMERSON. Your comments on the "monthly reporting, retrospective budgeting" requirements are of interest. I agree that the targeted approach to use MRRB for people who are working or are likely to return to work is a better approach. Along with that, States could be allowed to use MRRB for other categories as they see fit. Some States have operated MRRB in the AFDC programs for a number of years. Did you review any of these States' programs, and can you explain why a State would operate MRRB for the AFDC Program and not for food stamps?

Mr. SARGOL. They are supposed to operate it for both, as I understand it. MRRB is monthly reporting?

Mr. EMERSON. Yes.

Mr. SARGOL. No, I don't know why.

Mr. EMERSON. And retrospective budgeting.

Mr. CROWLEY. Retrospective budgeting was not covered in our report but monthly reporting is. We do have an ongoing job on monthly reporting that should be coming to completion in about 4 months. As far as I know, States are required to do it for both programs.

Mr. SARGOL. The only thing that possibly may be involved is that the two programs have different waiver requirements or authorizations. Some participants could be waived from the monthly reporting requirement in one program but not in the other.

Mr. EMERSON. We may want to get back to you to ask some questions on this.

Mr. CROWLEY. Sure. In fact, Mr. Emerson and Mr. Chairman, after you get a chance to review the report, you may want us to further discuss with you individual matters contained in the report. Quite frankly, there is an awful lot of information in the report. As I said, we cover the waterfront on the Food Stamp Program. There are some areas in the report where we say that legislation may be needed. If you so desire, we would be willing to help you draft that legislation. There are other places where you may need some additional information with regard to the specific studies that we quote in this report. We would be more than happy to come up and work with you and your staff to answer any questions you or they may have after you have had a chance to go through the report.

Mr. EMERSON. Thank you. One of my overall concerns about assistance programs centers on the multitude of program rules and the hurdles that have to be scaled for both participants and administrators. You mentioned the GAO report back in 1978 on these differences, and I'm wondering if you have any plans to update that report or your recommendations?

Mr. SARGOL. We don't specifically have a job scheduled in that area. It is our thought that there ought to be a combined group of people from Agriculture and HHS that would sit down and do what you are suggesting.

Mr. EMERSON. About welfare, the welfare system generally?

Mr. SARGOL. Yes.

Mr. EMERSON. You state that individualized food stamp benefits in the Food Stamp Program would better meet the needs of participating households but that the administrative feasibility must be studied. What would be the drawbacks? Would they be outweighed by a better targeting of food stamp benefits?

Mr. CROWLEY. We don't know what the feasibility of it would be, Mr. Emerson. Our idea was that Agriculture should conduct a pilot study to determine whether it could be done. What this concept would essentially do is to try to give people who are coming in for food stamps the proper amount of food stamp benefits to meet their nutritional need. If you are a male of a certain age or if you have teenage boys, for example, you would probably get more food stamps under an individualized system than you would get today because nutritional needs for these categories of individuals are higher than for some other categories.

Whether that can be done for all 21 million people in the Food Stamp Program, we're not sure. We think that this is something that should be studied by Agriculture and we have recommended that they do so. Since one of the goals of the program is to provide for the nutritional adequacy of the participants, one of the ways to do that is to provide the proper amount of benefits to the people that need the food assistance.

Mr. EMERSON. Thank you very much.

Mr. CROWLEY. You're welcome.

Mr. PANETTA. Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

I'm really looking forward to reading your report in some detail. It looks like it's very well laid out and written in common language that can be understood and I'm very appreciative of having it. I just wanted to ask two lines of questioning to continue some of those that were mentioned here earlier.

On the subject of the error rate, we spend about half of our time on this subcommittee talking about error rates. You made the statement, if I took it right, that we are asking the States or requiring the States a higher error rate, allowing them a higher error rate than AFDC. Is that correct?

Mr. CROWLEY. Yes, sir. The food stamp error rate target is higher than the one established for AFDC.

Mr. OLIN. Then I think the statement was made that you don't have any feel for what the error rate consists of—in other words, how many errors are made, how much fraud there is, how much—is it true that there is no breakdown of the error rate that is available to you in making a study of this kind?

Mr. CROWLEY. I believe there is a breakdown of the error rate, as to whether it is agency caused or participant caused. What we said was that we don't know how much of it is related to fraud. Fraud is something that has to be proven in a court of law but we do know that most of the errors are generally caused by participant error, including honest errors by participants——

Mr. OLIN. So that the wrong information is given with regard to——

Mr. CROWLEY. The wrong information, correct.

Mr. OLIN [continuing]. Salary or other income?

Mr. CROWLEY. The agency also makes errors; that is, the agency personnel who are reviewing the application make errors. Most errors are related to income. Most participant errors are income-related errors.

Mr. OLIN. How does it break down between the agency and the individual?

Mr. CROWLEY. Years ago when we looked at it, it was about half and half. I don't know——

Mr. SARGOL. It's 30 to 70, I think.

Mr. CROWLEY. It's 30 to 70.

Mr. SARGOL. About 70 percent participant caused and about 30 percent agency caused.

Mr. OLIN. Seventy-thirty, individual to agency, and the individuals' errors are mostly misreporting of income.

Mr. SARGOL. Inaccurate reporting of income. Actually I think most of the agency errors are income-related also.

Mr. OLIN. And of course you can't tell whether that's fraud or what it is without further investigation. Would all the fraud or would most of the fraud, in your opinion, be on the side of the individuals if you had fraud?

Mr. SARGOL. Well, I really don't know. I don't know why the agency would be committing fraud.

Mr. OLIN. Have you picked up any evidence of agency fraud?

Mr. SARGOL. Well, in some earlier work that we did there was fraud in the form of theft and trying to unlawfully get food stamps through the computer systems and so forth. There was some of that kind of thing, but what we're talking about here is the reporting of data—the inaccurate reporting of data.

Mr. OLIN. The agency problem, then, is mostly just clerical errors—is that right? The difficulty of doing things manually and getting them right.

Mr. SARGOL. The way that income eligibility and benefits are computed is quite complicated. That's one of the reasons why we are suggesting that perhaps somebody needs to look at standardizing deductions. In making those computations, it's easy to make errors.

Mr. OLIN. All these things being the case, do you think we're going to be successful in getting the error rates down by some kind of a scheme of sanctions or other incentives, or are we dealing with something that is going to be sort of immune to normal incentives?

Mr. SARGOL. Well, the error rates are coming down. They have dropped down about 2 percentage points over a period of 2 to 3 years. The national rate for 1983, which is the latest available data, was 8.4 percent for overissuances.

Mr. OLIN. Do you have any guess as to how far down that might reasonably expect to come, using present techniques?

Mr. Sargol. Well, I don't know how far it can go down. It's working its way down, but I don't know what is a reasonable level for errors in the Food Stamp Program.

Mr. Olin. So your suggestions really are, simplify the computation problem in the agency and try to get some more direct reporting of income from the point of view of the individual?

Mr. Sargol. I think the wage matching system that has recently been started is going to have a very beneficial impact on this area.

Mr. Olin. Could I ask another question? You won't be able to do much with this, but just looking at this list of 11 different types of food programs, and then considering that there are probably I don't know how many other kinds of welfare programs—it might be an equal number, it's probably quite a bit—and your statement that the total of the food programs was $30 billion, when you add it onto the welfare program you might get that up to $50 billion or so probably. What would be the realism of working on that problem to try to pull these things together in some kind of a more simple structure? First of all, are all the programs within USDA and HHS?

Mr. Sargol. The ones that we were concerned with are.

Mr. Olin. The two agencies have all the programs. Does the administration appear to have any interest in doing something like that, now or in the future?

Mr. Sargol. I don't see it. I don't see any big effort planned. You're talking basically about welfare reform or something like that, or combining the——

Mr. Olin. Well, whatever you would call it, it would be simplification.

Mr. Sargol. Simplification should be tried. There should be a study made of ways to simplify the programs.

Mr. Olin. It would appear that——

Mr. Crowley. The problem that you have, Mr. Olin, is that we have 11 different food assistance programs with 11 different authorizing legislations with 11 different goals, and in some cases targeting different people.

Mr. Olin. There's a lot of turf involved there too, isn't there?

Mr. Crowley. Well, it's targeted for different people. We are trying to reach a particular type of person with a lot of these individual food programs but the fact is that we've got 11 of them just in Agriculture right now.

Mr. Olin. Would you make any guess as to how much money we might save if we were able to pull these things together in a different way?

Mr. Sargol. I couldn't guess.

Mr. Crowley. I couldn't guess at that. You would probably make matters much better if you would get program simplification. We could generalize about some of the benefits of it. The downside would be that in some cases you have programs that are targeted for particular people and they may not be getting the same level of benefits after changes are made as they are getting now. I couldn't really hazard a guess right now as to what you would save from that. We do know that it would make it a lot easier to administer.

Mr. Olin. It looks attractive, but the difficulty of carrying it off would be tremendous. I thank you for bringing it up and targeting it in this way. I think that will turn out to be useful, probably.

Fine. Thank you very much, gentlemen.

Mr. Panetta. Let me just ask you one bottom line question because I think sometimes we all get lost in the jungle of facts and concerns about how to deal with this element and how to deal with that element.

Mr. Crowley. Yes, right.

Mr. Panetta. You've got a Food Stamp Program that serves about 21 million people in this country, and I think without question is the primary program aimed at serving the food needs of the poor and the needy in this country. From your evaluation of the overall program and all of its elements, is it doing the job?

Mr. Crowley. I would say this: It's doing it a lot better job today than it was doing several years ago. I think that's due primarily to some of the things that were done up here on the Hill, and I think it's due to some of the implementing regulations that USDA has adopted. When you look at the error rates before the time when all of the measures that Congress had legislated came into play and compare them with more recent rates, we're starting to see a decrease in the error rate in the program.

The program has had one bad—well, I shouldn't say one bad—but it has one problem that accountants always have a little bit of a concern about. There wasn't an incentive for States to do a good job in this program prior to 1981 or 1982. The program is totally federally funded and the States generally have to pay only 50 percent of the administrative costs. If you looked at the Food Stamp Program and then looked at the AFDC program, where the States had some of their own money involved, the States did a much better job of issuing AFDC benefits and administering the AFDC program than they did in the Food Stamp Program.

In the Food Stamp Program, the incentive was just not there. I'm not saying that the States acted in bad faith. I'm just saying that the incentive was not there for the States to do as good a job in this program. Some incentive is now in the program, and I think we're starting to see a much better operated program. So, from the administration standpoint, I think the Food Stamp Program is getting better, and that's the part that we looked at.

Mr. Panetta. From the administrative perspective of the program there is no question that we have seen improvements. My bottomline question is looking at it from the beneficiaries' point of view, not as the Government's point of view, which means that if a poor person needs food, is the program helping that person? Is this an effective program in terms of meeting that need, because that really has to be, it seems to me, the prevailing question that we have to ask?

Mr. Crowley. Yes, I agree with you. One of the real purposes of this program is to improve the nutrition of the people out there.

Mr. Panetta. Is that happening?

Mr. Crowley. We don't know, and that's one of the things we address in our report. We don't have any systems out there to gauge that—to take a before and after look. Are we getting to be a much better fed society?

Mr. **Panetta**. It seems to me if you're feeding 21 million people and you have this program, the answer to that is pretty obvious, isn't it?

Mr. **Crowley**. Is it doing it well?

Mr. **Panetta**. Is it doing it? Are we giving food to people? Are we meeting their needs?

Mr. **Crowley**. I don't know whether we're meeting them. We are paying $12 billion to people and giving them stamps and they're using those stamps to acquire food.

Mr. **Panetta**. All of us have to look at the report and I think the important thing is to see what can be accomplished with respect to your recommendations. We have to make a decision on these issues, and this kind of information always is helpful in arriving at that goal.

Thank you very much for your testimony.

Mr. **Crowley**. Thank you.

Mr. **Panetta**. Oh, I'm sorry, Mr. Lewis. I apologize.

Mr. **Lewis**. No problem.

Mr. **Panetta**. We've been operating here for 2 days with the two of us or three of us. Go ahead.

Mr. **Lewis**. I would like, if the record will remain open for the normal period of time, I have someone in Florida who would like to provide written testimony on the commodity and cheese distribution program.

Mr. **Panetta**. Sure, without question.

Mr. **Lewis**. Mr. Crowley, I think it is interesting, your response to the chairman about is the program working, getting the food to the people. As I go through your report, several times one of the key phrases was, you need congressional clarification on how you're going to administer and tighten up in some of these areas. I spent a number of years in the legislature on a subcommittee in agriculture where we dealt with the food stamp problem, and it was interesting that you noted back in about 1980-81, I guess it was, you mentioned, where States started tightening up on the Food Stamp Program.

The State of Florida spent several million dollars in 1980 and again in 1981, and we did start cracking down on food stamp fraud, but there are still the problems where you can walk into an office—and I have done this personally, and sat down and filled out an application for food stamps and been advised to come back around 2 or 2:30 in the afternoon—and I have done that and I qualified for food stamps. Then I asked for the supervisor and we discussed this problem.

Now of course these are State people that I'm discussing at this point, but I believe we have to go back to the Federal program because it is not specific in its areas, in my judgment, as to where and what and how an individual qualifies and what type of individual should be making the decision as to whether or not a person qualifies for the program. We know that there are a number of abuses but I guess I am concerned that I have not seen in your report—your presentation, I should say, not the report, and I haven't read that and maybe I am doing you an injustice at this point—the specificity that is needed to say that this group or this family or this homeless or this whatever type of person would qualify to enter into the program.

Do you have any plans to be specific, or does your report come out and say specifically, "These are the things we would like to see," rather than you just need congressional clarification and have it demagogued on the floor for several days and nothing happen again?

Mr. CROWLEY. First of all, the report does talk about program eligibility and does say Congress needs to better definite the term needy to improve the operation of the program, yes. But no, we don't get down to the specific level that you're talking about on that particular point. We do get down to specificity when we talk about certain other things like the use of Federal income tax intercepts to recover overissued benefits. That's a legal requirement that we want to bring up here to the Congress to see if it could clarify the matter because there is a concern about what the law requires.

If we get down to matters that the Department of Agriculture could handle itself, and if we found specific actions that are warranted, we would communicate them directly to the Department of Agriculture, and we would not be up here with the specificity that you're referring to. We would write a report to the Secretary of Agriculture to correct certain problems in the Food Stamp Program. Under our operating laws, the Secretary of Agriculture would have to reply to certain congressional committees and to us as to how he took care of those problems.

Mr. LEWIS. I see. Do you have any communication with the various States, or do you hold any type of seminars with the State secretaries of HRS or HHS, whatever it might be, in order to make a determination what specific requirements could be set up and recommend those specific requirements to Congress?

Mr. CROWLEY. We have not done that but, for every food stamp job that we do, we, of course, have to go out to the States and to the local projects. Those are the people who we're constantly talking to, but we have not brought them together as a group and talked to them. Agriculture does that——

Mr. LEWIS. You see, I am concerned that——

Mr. CROWLEY. This is primarily a State- and locally-operated program.

Mr. LEWIS. I'm sure that as we go through, we have an underissue problem but at the same time we also have an overissue problem.

Mr. CROWLEY. That's right.

Mr. LEWIS. I believe we have to get that balance correct, and particularly the concern of the American public out there when they stand in the grocery line and they see someone buying the better tips of beef and things like this and other things, then turn around and take cash out of their pocket and pay for wine or beer, and they are too proud to go on the Food Stamp Program or be involved with that kind of a program. They certainly feel like they are being had in such a way. They are trying to stay off the rolls and someone else is taking advantage of it.

I have never found this to be a fact, to tell you the truth, but I have stood in the lines and watched people who are getting the better items where the other people have to buy less because they're not on the Food Stamp Program, and I really feel that you have a responsibility to come up with specific requirements of how we monitor the program and pass it on to the States. I would like to recommend to you that you hold a seminar with the various State secretaries of HRS or HSS or whatever their title may be who are responsible for this program, and come up with specific requirements so it could be put in legislation, rather than have the laissez-faire situation that we do, that it's not covered or it needs congressional clarification.

Can this be done? Is this feasible?

Mr. **Crowley**. It's feasible and we'll consider that.

Mr. **Lewis**. Thank you, Mr. Chairman.

Mr. **Panetta**. Thank you, Mr. Lewis.

Mr. **Lewis**. Thank you, Mr. Crowley.

Mr. **Panetta**. Again, thank you all for coming here and presenting your testimony. We'll look forward to reading the report and having another one of these sessions at some point.

The last witness for this morning's session is a familiar face around here over the last few years, the executive director of the Center on Budget and Policy Priorities, Robert Greenstein, who is one of the few people in the outside world who really understands the intricacies of the program, how it works and its implications.

We appreciate your taking the time to come here before the subcommittee and look forward to your comments. Your statement will be made part of the record as you have presented it, and you can either read it or summarize it as you wish.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. **Greenstein**. Thank you, Mr. Chairman. It is a pleasure to be here again.

Let me make one brief comment before starting into the testimony. I noticed in the last few minutes the exchange that you had with the witnesses from GAO on "Is the food stamp program effective?" I wanted to add a couple of points on that. It is certainly true that there has never really been a study—and it would be rather expensive to do such a study—to specifically isolate the impacts of the Food Stamp Program, apart from everything else, on the nutrient levels of households.

However, that doesn't really mean that we don't know anything at all. Let me mention that there is data from USDA's National Household Food Consumption Survey which shows that the gap between the low-income population and the rest of the society, the nutrition gap, narrowed substantially between 1965 and 1977-78, when they did the last survey.

Now there are some technical and demographic issues here, and it doesn't specifically isolate food stamps, but what was the main difference, what was the main public policy difference between 1965 and 1977-78? It was the Food Stamp Program and the other food programs. A number of researchers I have talked to think that that data, while it doesn't prove, certainly strongly suggests the beneficial nutritional impact of food stamps. In this same 1977-

78 survey you find that food stamp households have much better diets or a much higher percentage of them have good diets than have eligible low-income households not on food stamps. Again, that doesn't absolutely prove that it was food stamps that made the difference, but there is indeed nutritional evidence that strongly suggests, although it doesn't prove, positive impact.

This subcommittee has done an outstanding job over the last 2 years in addressing the issue of hunger. Let me just try to—there is not that much necessarily to add to what the subcommittee has done—let me try to make a few comments, a few points on how the Food Stamp Program relates to this issue.

Substantial numbers of needy persons do not receive food stamps, although in most cases they are eligible, and for many who do get stamps, they do not last through the month. I would like to talk a little about each of these issues.

Several months ago we conducted an analysis comparing food stamp participation in September 1980 with participation in September 1984. In September 1980, 20.1 million persons received food stamps. In September 1984, 19.8 million persons received food stamps. While this drop of 300,000 persons in participation may appear modest, it is actually a striking phenomenon because during the same period the number of people below the poverty line, most of whom are eligible for food stamps, rose dramatically. There were nearly 5 million more persons who were poor in 1984 than in 1980.

In past years, for every three persons in poverty there were two persons receiving food stamps. If we apply this rule of thumb to the poverty trends since 1980, the increase in the poverty population of nearly 5 million from 1980 to 1984 should have added over 3 million persons to the Food Stamp Program. Instead, during this same period, instead of food stamp participation being up 3 million to reflect the increase in poverty, it is down 300,000. In short, there are 3 to 3.5 million fewer persons in the program than would have been expected.

None of us really know why this has happened. The 1981 Reconciliation Act, with its 130 percent gross income limit is estimated by CBO and USDA to have eliminated about 1 million persons. We do not know the explanation for the remaining 2 million person discrepancy between actual participation and what would have been expected.

This discrepancy shows up in CBO estimates as well. If you go back and look at the estimates CBO did for this subcommittee of food stamp costs when the 1981 and 1982 Reconciliation Acts were passed, you will find that those estimates have proved far too high, largely because participation has been significantly lower than expected.

It may be that the budget reductions actually had a larger impact than we have thought, but there is no way that this could explain all or even most of the discrepancy. The lack of adjustment of the assets limits for inflation may have been another significant factor. The drive to lower error rates and tighten the program may have increased the burden of applying for the program by requiring applicants to make more visits to the food stamp office to secure more pieces of documentation. If so, this could have led some eligible families or elderly persons not to apply. The elimination of outreach could have been a modest contributing factor.

In short, we simply do not know what factors are responsible for the relative decline in participation, but we do know that participation, when adjusted to reflect the increase in poverty, has dropped much more than anyone anticipated. In September 1980, there were 69 persons receiving food stamps for every 100 persons in poverty. In September 1984, there were 58 persons receiving stamps for every 100 persons in poverty.

Let me pause for a minute and say that this seems to me to be one of the areas where the debate has sometimes had more heat than light in recent years, between the statement on one side—often from the administration—that we are serving more people than ever before, which was only true when unemployment was up around 10 percent, and other statements that all the decline in participation is due to 1981 budget cuts in food stamps, which also does not appear to be the case.

Neither of those is really accurate. The truth is somewhat more complex, but the bottomline is that the program has been tightened and reduced in scope considerably more than has generally been recognized. When the Food Stamp Program was up for reauthorization 4 years ago, one criticism leveled by some was that the program was growing out of control. Whether or not that was the case in 1981, it surely is not the case today.

Let me turn now to the adequacy of food stamp benefits, the second issue I would like to explore. The subcommittee's new report on the Thrifty Food Plan is clearly a major contribution to our understanding of this area. Its analysis of how food stamp benefits lag behind the true cost of the Thrifty Food Plan, how sales taxes further reduce benefits below Thrifty Food Plan, levels in a number of States, how the amount of time needed to cook and prepare the meals envisioned in the thrifty plan—3½ hours a day—may be beyond the time available to low-income working mothers with young children, and the potential problems posed for recipients by higher prices in small, inner city food stores all help to explain why many food stamp families are without resources for food before the end of the month.

I would like to add the observation that changes and reductions in other programs—programs generally outside the food area and outside the jurisdiction of this subcommittee—have also been factors in contributing to the hunger problem and in aggravating the end-of-the-month syndrome.

USDA's food consumption surveys show that in past years, most food stamp families were squeezing their limited incomes to spend more on food than the cost of the Thrifty Food Plan. Today, however, it is more difficult for poor families to do this.

First, benefits in the AFDC Program have continued a steady decline that dates back to 1970. Congressional Research Service data show that since 1970, AFDC benefits have fallen 33 percent when adjusted for inflation. This is due to States' failures to keep these benefits up with inflation. No other segment of the American population has lost so much or fared so badly in recent years.

A new Congressional Research Service analysis, published in February by the House Ways and Means Committee, shows that the value of AFDC and food stamps combined is now only slightly higher than the value of AFDC alone in 1960, before food stamps even existed. This is a stunning fact, that for poor families with children, benefits have now declined to nearly 1960 levels.

A second factor in this area of reductions in other programs that impact on hunger is the rather precipitous decline in unemployment insurance coverage. Labor Department data show that in 1984, only 34 percent of the unemployed received unemployment benefits in an average month, the lowest such percentage ever recorded. In the late seventies, between 50 and 70 percent of the unemployed were drawing benefits. Today, in half the States in the country, if an unemployed worker has exhausted unemployment benefits and lives with his spouse and children, the family can get neither unemployment insurance, welfare, or medicaid.

The point here is that when AFDC benefits fall, as they have so much in recent years, and unemployment insurance coverage contracts, low-income families have less resources with which to supplement their food stamps and purchase more food. This has contributed to the hunger problem.

The problem is aggravated further when other family expenses rise. One change enacted in 1981 raised rents for all 4 million families and elderly persons living in public or subsidized housing. In addition, in many parts of the country, heating bills have continued to rise, but funding for the low-income energy assistance has not kept pace. Reductions in Medicaid in a number of States have shifted some medical costs onto beneficiaries. When rent, heat, and medical bills rise, there is less money available to spend on food.

This leads me to two conclusions. First, I think it is very important, in the considerations of the budget this year that there not be further reductions in programs for the poor. Reductions in Medicaid or low-income housing, or even a freeze in energy assistance while heating bills rise further, are likely to aggravate the problems we currently see, including the hunger problem. I would hope that low-income programs, which are only a small part of the Federal budget, are treated separately from other programs in the budget this year. This would be equitable, since these programs were cut much more deeply than the rest of the budget in 1981 and 1982.

Second, I believe we do need to carefully consider some changes in the Food Stamp Program. As long as hunger persists in the United States, the Food Stamp Program will be the principal means to address it.

Last year H.R. 5151 would have made a number of improvements in the Food Stamp Program that, although modest in cost, would have provided real help for many families experiencing difficult times. In general, I support these provisions and urge their consideration and approval again this year.

One of the most critical levels, of course, is the adequacy of food stamp benefit levels. As the President's Task Force on Food Assistance stated last year, there really is no justification for benefits falling below the full value of the Thrifty Food Plan. Yet this is what now regularly occurs, as the committee's new study on the Thrifty Food Plan documents.

Two problems in particular need addressing. First, the fact that benefits have been lagging an average of 5-percent behind the cost of the Thrifty Food Plan in recent years is a serious issue. There are various options as to how to address this problem—whether through basing benefit levels for a fiscal year on the average projected cost of the Thrifty Plan for that year, or alternatively, through continuing to set benefits for a year on food costs in the previous June as we do now but putting the prescribed benefit level above 100 percent of the Thrifty Plan cost, as H.R. 5151 did last year. Some correction, however, is badly needed.

Second, there is the issue of sales tax. When a State charges a 5 percent sales tax on food stamp purchases, poor families and elderly individuals receive a benefit equal to only 95 percent of the Thrifty Food Plan cost. This undermines the basic purpose of the program.

Two approaches have been suggested to remedy this problem. One approach would simply require the States to rebate to the U.S. Treasury the value of all sales tax collected on food stamp purchases. The second approach would also require sales tax collections to be rebated to the Treasury but would take one additional step. It would set food stamp benefits for States with sales taxes at such a level that the benefit—after sales tax is collected—still equals 100 percent of the Thrifty Plan's cost. For example, if a State charges a 5-percent sales tax, benefits would be set at 105 percent of the Thrifty Plan cost under this approach.

I believe the second approach is far preferable. If sales tax collections are simply rebated to the Treasury without any adjustment in benefit amounts, poor families will still get a benefit that falls below the Thrifty Food Plan value. From the standpoint of addressing the problem of hunger, nothing will really have changed. The difference will simply be that the Federal Government rather than the State governments will get to keep the funds originally intended for recipients.

This point is particularly important, because many of the States that now charge these sales taxes are precisely the same States that have the highest poverty rates in the Nation, the highest infant mortality levels in the Nation, and the lowest AFDC benefit rates in the Nation. By and large these are States in the South. In the very States where poor families and children need these benefits the most, they lose benefits to the sales tax. It is important that the sales tax issue be addressed in a way that restores the benefits in these States.

I would add that raising benefits throughout the country to 101 or 102 percent of the Thrifty Plan, while helpful in dealing with the lag in benefits discussed earlier, will not really remedy the sales tax problem. These families in the South and other States are losing more than 1 or 2 percent of their food stamp benefits to the sales tax, and they are among the poorest persons in our country, often with incomes that often fall below half the poverty line.

Another area that could use improvement is the part of the Food Stamp Program dealing with work issues. For too many years this aspect of the Food Stamp Program has been mired in an unproductive debate between those whose main concern is to impose various work tests and requirements on recipients, often without much regard to whether these requirements really move many persons into wage-paying jobs, and those whose main concern is to minimize the requirements recipients must satisfy.

I think all of us, certainly including myself as someone who has been involved in the program a long time, share some responsibility for having this debate go in what has often been an unproductive direction.

I think it is time we devoted more attention to another concern and established an alternative goal in this area. Our main goal should be to structure a work component of the Food Stamp Program that results in subsequent gains in employment and earnings for recipients. That ought to be the bottomline. Improved employment and earnings will help both the recipient and the taxpayer at the same time.

Remarkable as it may seem, there has been very little focus in the Food Stamp Program on how best to achieve this goal. We ought to be able to find more effective ways.

Fortunately, while the Food Stamp Program may not have directed much attention to this issue, many other researchers have been studying employment and training programs for years.

Last December the Department of Health and Human Services and the Institute for Research on Poverty jointly sponsored a 3-day conference of leading experts from across the country on issues such as what has worked and what has not in the poverty area over the past decade. The conference produced something of a consensus in the employment and training area. The consensus was that programs providing shallow or limited employment and training assistance generally yield little in the way of long-term results, while more intensive programs—in which individuals receive more intensive, in-depth attention—are more successful.

Unfortunately, the current Food Stamp Work Program is, in most States, is a prime example of the type of shallow program that has proven less successful. Large numbers of recipients receive little or no services or attention, other than to register for work and hand in forms showing they contacted a prescribed number of employers. Approaches such as this are unlikely, the research indicates, to produce significant gains in employment and earnings.

What is needed, I think, is to encourage States to experiment with approaches that take fewer of the food stamp work registrants, and provide more in-depth, intensive attention to these persons. This can be done through job clubs, job search assistance, or other means, but given the limited funds available for Food Stamp Work Programs, any effort that attempts to cover all or even most of the large numbers of work registrants is likely to spread its resources so thin that it ends up producing little in the way of gains for anyone. Even some gains for some of these people in subsequent jobs would be a significant improvement.

I would add a couple of comments here in the employment area as well. One is that in this goal of promoting subsequent employment and earnings there is presently no evidence that workfare accomplishes this. The Manpower Research and Development Corporation study recently released on San Diego found that there were subsequent gains in employment and earnings from job search assistance but no subsequent gains in employment and earnings from workfare.

Now it may well be that workfare in some areas does produce this but there is a concern with the mandatory approach that if we haven't, in the places where it has been tested, yet found evidence of subsequent gains in employment and earnings, this doesn't seem to warrant mandating it across the country. One thing we do know is that where you force these kinds of programs on places that don't want to run them, you have even less of a chance of a successful outcome.

Again, I would encourage us to experiment with various other approaches that hopefully—and to leave workfare optional—that hopefully will result in more actual gains in jobs than we have had in the past.

Second, in the work area, we clearly do need to improve incentives for people to work, and I would make two quick points here. One is, I think the provision of H.R. 5151 that raises the earned income deduction back to 20 percent is important. The lowering of that to 18 percent was, I know, opposed on a bipartisan basis, resisted by this subcommittee in 1981. At that point we didn't know some of the things we know now, namely that it is precisely the working poor whose taxes have gone up the most. I know President Reagan said that on a number of occasions in the last 6 months, as well. The Federal income and payroll taxes for a family of four at the poverty line were $269 in 1978, $460 in 1980, and $1,076 in 1984. There really is no basis for having lowered the earned income deduction when taxes on these people were going up.

The other point I would make in this area in terms of incentives is one that is in the form of a mea culpa, and that involves the child care deduction. There is, I think, some misconception of the history of the separation, the child care deduction no longer being separate but being combined with the shelter deduction. A common view is that this was done in the 1981 Reconciliation Act. That is not really the case. It was done in the 1977 act.

Basically, combining shelter and child care into one deduction was not passed by the House in 1977, it was not passed by the Senate in 1977. It wasn't passed by either body. What happened in conference was that we came up against a problem in conference, and one that Chairman Foley at that point pointed out, and that was that the way the bill was coming together in conference, since there was no gross income limit in the program at that point—the income limit was a net income limit after you took your deductions—that in theory a family that had the maximum child care and the maximum shelter and the earnings and all that could have a gross income that was too high, up in the—at that point, I forget, $14,000 or $15,000 in 1980 dollars, way above where it is today. The concern was, if you took all the deductions the income limit would be too high.

The conference was unable to resolve that one evening and went home. One person who played a role in the conference thought about it that night and came in the next morning with an idea: Why don't we take shelter and child care and push them together into one deduction? The maximum will be the two combined. Therefore, you can't have a higher gross income and qualify for the program. The person who overnight came up with this idea, which wasn't in either the House or the Senate bill, was myself. It was done purely for the purpose of meeting this concern over the income limit.

When I first presented it to Chairman Foley, he kind of told me it was a harebrained idea, but we didn't have another way to deal with this issue, and it was adopted and it has been with us ever since. Congresswoman Heckler thought it was not a very good idea, and in 1980 had an amendment passed that she sponsored to split the child care deduction. That provision hadn't gone into effect yet and was repealed in the 1981 Reconciliation Act. It was repealed in part because, at a time when the Congress was trying to make such large cuts in 1981, it didn't seem to make sense to allow what seemed to be an increase to go into effect, but the real decision on this was back in 1977.

Now since then we have put a 130-percent gross income limit on the program, so that the whole reason we did this in the first place, the concern that Chairman Foley raised, no longer exists. If you had a separate child care deduction, it wouldn't increase the gross income limit a dollar now because you still have the firm cap. That being the case, and given the somewhat peculiar history of this, I would hope that the subcommittee does take another look at that this year.

I would like to turn now to the issue of quality control and error rate sanctions. The latest data from FNS show that error rates dropped to 8.4 percent in fiscal year 1983. The continued, steady drop in error rates, which the GAO just referred to, is encouraging. It indicates that current error rate reduction efforts are having some success. Let me note the figure that was mentioned of $1 billion a year in overissuances is already somewhat out of date. That is a figure based on older error rates and on high levels of issuance in 1983 when unemployment was 10 to 11 percent.

If you look at the latest figures, you find the overissuances are about $900 million but the underissuances are about $250 million. The net loss to the Federal Government—still significant, of course—is now running 6 percent. You've got a 8.4 percent overissuance, about a 2.4 percent underissuance, and a net loss of about 6 percent or about $650 million a year.

At the same time, that is still a lot of money. Error rates are still well above 5 percent. Under current law, States are now heading toward error rate sanctions of approximately $200 million a year for errors in fiscal year 1985 and all succeeding years. This is a very hefty level of sanctions.

I am concerned that more severe sanctions, which I am sure will be looked into this year, will not result in additional error reduction, but simply in larger penalties. Since the current sanctions are already so large—for fiscal year 1985 and thereafter—and since an error rate sanction of any substantial amount can be devastating for the career of a welfare commissioner, the pressure to reduce error rates is already intense. Simply making the sanctions $300 million a year rather than $200 million a year is not likely to change much here.

At the same time, the increased sanctions, themselves, could have very unfortunate effects. Faced with a large sanction, a welfare commissioner could turn to the one part of his budget over which he has most control—AFDC benefit levels. It is not difficult to cover an increased sanction amount by reducing or forgoing a cost-of-living adjustment in AFDC. With AFDC benefits having fallen 33 percent since 1970, and with poverty having grown more among children in recent years than among any other part of the population, this would be a deeply unfortunate outcome.

I must say that I don't see the evidence indicating that the current sanction system, enacted in 1982, is ineffective. I think what the GAO was just saying is that it is working. Error rates have dropped significantly since then. I do not believe that the case has been made for overhauling the current sanction system and increasing the already large penalties required under current law by 50 or 100 percent as most proposals for change in this area would do.

One more point on this area: In the last testimony the GAO mentioned that the threshold—the tolerance, 5 percent, in food stamps—is higher than that in AFDC. I think this is a very important issue but, again, one in which a lot of the discussions have had more heat than light. In AFDC—HHS has done a major study—they found the following: Error rates for households with earnings are two or three times—my recollection is three times, I can look it up—the error rates for households without earnings. Why is that important? In AFDC only 6 percent of the households have earnings. In food stamps nearly 20 percent of the households have earnings.

Second, this study found that among two-parent households error rates are twice as high as among one-parent households because they are probably more likely to be in the work force or go in and out of jobs. Food stamps has several times the proportion of two-parent households as AFDC, which is 90 percent single parent households, usually mothers with young children and the mothers aren't in the workforce.

The point I am making is that there is no way that equal management performance is going to yield the same error rate in food stamps as in AFDC. The caseload is different, just as the error rate will always be lower in SSI than in either food stamps or in AFDC. We really need, when looking at these programs, to keep in mind the differences among the caseloads.

We also need to keep in mind the differences in what counts as an error. We often hear that the tolerance in Medicaid, for example, is 3 percent and in food stamps it's 5 percent. In food stamps we have two kinds of errors, overissuances: payments to people who were ineligible and shouldn't have gotten anything, and payments to people who are eligible but get more food stamps than they should. Each of those is about half the error rate. Each of those is a little over 4 percent.

The Medicaid error rate consists purely of people who were ineligible. For those people for whom too much was paid to a doctor, that is an overcharge to a doctor. It isn't part of the error rate. If you defined the food stamp error rate the same way that the Medicaid error rate is defined—and it shouldn't be done that way, but if you did—we would have a 4 percent food stamp error rate, so we need to be very careful in comparing the programs and saying that been happening in recent years is that the Department allocated the caseload among the existing program and tends to allocate more caseload than is needed for a number of programs. Money remains unspent every year, almost every year for the last number, and yet at the same time new areas that have applied for the program have been turned down on the grounds that no money is available. That really doesn't make any sense.

In addition to that, there are now about 200 counties in the United States that have neither a WIC Program nor a Commodity Supplemental Food Program. We are currently doing a survey of these 200 counties. It turns out that in a number of them they can't get into the WIC Program because they can't meet the health clinic requirement—you have to have a health clinic. They could be eligible for the Commodity Supplemental Food Program but the answer has always been, "There is no money available," yet every year money is unspent.

I hope the subcommittee would look at a provision which directs that the Department contact the unserved areas and entertain applications from them and other areas to the degree that money is available in the annual appropriation. It doesn't make any sense not to serve eligible women, infants, and children there if the money has been appropriated and is sitting around unspent.

Thank you.

[The prepared statement of Mr. Greenstein appears at the conclusion of the hearing.]

Mr. PANETTA. Thanks very much, Bob. I appreciate, as always, your thoughts, because you have seen this program from all sides, the administration of it as well as in terms of how the beneficiaries receive and deal with the bureaucracy of the program as well as the benefits that flow from it.

Let me just get your reactions on several areas. On the work issue, the work component issue, there is no question in my mind that no matter how you try to structure these programs, ultimately it depends a great deal on the capability, dedication, willingness of people at the local level to make it work. I mean, that is I guess the great frustration in all of this, is no matter how you try to make everybody do the right thing, that you still run into different people in different places and they handle these programs very differently.

In the areas we have gone to where the programs work, there are obviously people who are very dedicated to making those programs work, and they are working. It's a combination generally of job search and some of these other efforts to make it click. And where it doesn't happen, you basically have a group of people who basically check off the job search requirement on the list, and that's about it. They could care less, and don't give a damn whether in fact that person finds a job or not. All they care about is processing paperwork.

I guess the frustration is how do you, I mean—and I don't want to tie it to sanctions, but on the other hand the fact is that somehow we've got to impress at the local level the importance of emphasizing this aspect. I mean, I can't tell you the level of frustration I have when I go into soup kitchens and other places and people almost unanimously say, "Look, I'd rather have a job. I don't want to be here. I don't like it. I want to have a job." We can hand the carrot out which is job search. That's one side, and then obviously you've got this other thing which is mandating some kind of workfare, which again I'm well aware of all the problems of it.

Is there a way to try to drive this issue home in terms of how these programs are operated at the local level? Is there a better way to try to make both States and the local operations much more cognizant of emphasizing the job aspect. I mean, is there a way to do it or is it just simply to basically do what we did in H.R. 5151, which is to increase job search, training money?

Mr. GREENSTEIN. I think the problem is by no means simply at the local level. I think there have been some Federal practices, and I'm not talking about just the last 2, 3, or 4 years but throughout the history of the program, that have added to this. The basic Federal pressure has been, "Get everybody registered for work and then," going back to the late seventies, "cover for large categories of people, this job search requirement." When you look at what the whole Federal emphasis has been, both the Department, what it viewed as the congressional approach and how it pressed the States, how the regulations were written, there is really nothing there that suggests that anybody in Washington wants anything more done other than, "Get that work registration." It's a requirement. "Get the work registration form in. If they don't look for a job and you have evidence of it, they are out. Get the number of job contacts in. Get that sheet signed. They either met the requirement or they didn't."

The idea is to have a couple of requirements and you meet them as a precondition of working. It is a very different emphasis than saying the purpose of this program is to hook up people with jobs. That hasn't really been emphasized. As I was saying, here is an area—I read last night Mr. Emerson's opening comments yesterday about the fragmentation and the various—here is an example, and I have been guilty of this until 4 months ago, here is an example where we have years of research in the employment and training area, a lot of money spent by the Labor Department, on what works and doesn't work in employment and training, and to my knowledge nobody in FNS, including myself when I was there, ever really bothered to look much at that.

There is a lot of research that has come out in the last year or two, and what it consistently says is what I was mentioning there: If you want to make a difference, you've got to have more indepth, intense effort. Now if you want the employment service or whoever is doing it at the State level to do more indepth, intense effort than checking off forms, as you suggested, then you need to do two things: One, they need to have the funds to do it; and, two, you have to make very clear to them that the Federal interest is no longer a numbers game—process every single person, process 50 percent of the people. If you process 50 percent of the recipients and get nothing, that is much less productive than maybe taking 20 or 25 percent or some percentage and doing something much more intensive and getting a significant fraction of them in jobs.

If you look at the ET program in Massachusetts, the goal there isn't on massive numbers—go to the press or go to the State legislature or the Congress and say, "Everybody has to comply." As it is, get a bunch of people and really push them into jobs. You save more money that way. The only way you really save money is to push people into jobs, so I think the whole message that the Federal Government has given the States as to what this program is about really needs to be shifted. We need to say, "Yes, there is a requirement. If you want to get food stamps, you have to register for work." But the primary purpose of the program is to work with and enable States to take a segment of that population and really target some resources toward them that hopefully will push them into jobs. There may be different efforts that work in different places.

Mr. PANETTA. Yes; I was wondering whether you might be able to tie the level of those funds to a ratio of improvement in terms of locating people in job programs.

Mr. GREENSTEIN. There is a problem with that. The problem with that is a classic problem in employment programs. If what you want to do is show the funding agency that you are placing a lot of people in jobs, one of the classic things to do is to select as the people you want to—it's called creaming—you select the people who are most likely to find jobs on their own anyway, and you have a high placement ratio and you have ended up doing less. One of the more successful programs really is Job Corps, and one of the things that Job Corps does is that it takes the hardest to place people, and its success rate isn't anywhere near 100 percent with them but they are people for whom, in the absence of that program, you have almost nothing.

So what I'm saying is, the problem with what you have suggested is we really don't have any good standard for measuring success in a given area. At least if we shift the emphasis, if we encourage experimentation, if we provide through the Federal level technical assistance, perhaps, helping States understand things that have worked, if we make this emphasis that it's not how many bodies you process through the work program but having high-quality efforts for some number, I think that that has to help. Then if we continue to experiment and evaluate and pick particular areas to do evaluation on, hopefully over time we will increasingly learn what works. Then if FNS can funnel that information back through technical assistance to other places—we're talking about not a short-term process.

Mr. PANETTA. Yes; I understand.

Mr. GREENSTEIN. The whole history of poverty programs is that no area is more difficult to do well than employment programs.

Mr. PANETTA. I always had the inclination to use the Elliott Levitas approach, which is to mandate that only dedicated and productive people work on that level. That's probably the answer.

On the error rate issue, you comment that the current sanction system or at least what is in place could be working. You are not saying it is ineffective are you?

Mr. GREENSTEIN. No; I'm saying quite the opposite, just what GAO was saying: If you look at the error rates over the last number of years, they are coming down, and getting an error rate from 10.5 percent to 8.36 percent in a couple of years is a pretty significant accomplishment, but it is still well above 5 percent and it is going to be very difficult in the near future, despite the best efforts, to get that low. Part of it has to do with the nature of the food stamp caseload.

As a result of that, sanctions written into current law are I think much larger than frankly many Members of Congress realize, for the reason that the sanctions that have currently been levied are based on the old law, and the current law doesn't reach its full impact until errors committed in 1985, and we don't have the data on that in yet. But for errors committed in 1985 and thereafter, our estimate and the Department's is just about the same, that you're talking about roughly $200 million a year in sanctions. Now the sanctions we have had up until now, they have levied $5, $10, and $15 million a year in sanctions. You're talking about a huge threshold difference.

Mr. **Panetta**. In other words, you're saying hold the line there. Have you looked at the Matsui proposals on AFDC?

Mr. **Greenstein**. Yes, I have.

Mr. **Panetta**. Does that make any sense in application to food stamps?

Mr. **Greenstein**. I think that some of those proposals—I think the Matsui bill is an extremely well crafted bill, and I do think—let me distinguish—when I was saying the current system is working and shouldn't be overhauled, I mean the basic structure, 5 percent as the tolerance and the basic way of computing sanctions which does yield large sanctions, I think, on the administrative costs.

However, I do think there is some revision and fine tuning that may well be in order. Some of the issues that the Matsui bill raises I think are relevant here. For example, there are differences among States in things such as the proportion of the caseload that have earnings, and we know from the studies that the higher your caseload with earnings, the harder it is to get the error rate down.

In addition, there is this issue that is getting more attention recently, that is a concern, as to whether the current error rates are really accurate error rates because of this issue of the confidence interval. You know, as I understand it there is a 50-percent chance that the error rates are lower than the official level, but there is a 50-percent chance that they are higher. Can we level sanctions of this magnitude on States if there is a chance as large as 50 percent that the error rates are lower than that?

I think that those kinds of provisions in the Matsui bill are significant and important and do need to be looked at, and my own sense at this point is, it may well make sense to incorporate a few of them into the food stamp provisions while keeping the overall structure probably the same.

Mr. **Panetta**. Let me just get your response on what I assume is going to be an argument that we will face—I don't think we will face it on the House side but I think we would face it on the Senate side when we go into conference—which is on the block grant issue. I think all of us recognize the problems of the block grant on the States but I think the argument will clearly be presented,

> Look, we've block granted Puerto Rico. The administrative costs have gone down. The amount of fraud, black market activities, has gone down. People seem to be using the money to purchase food. The Chamber of Commerce, the Government, everybody seems very satisfied with the approach. It seems to be working very well.

The Congress basically acknowledges that it's working very well. Why shouldn't we apply the same standard elsewhere?

Mr. **Greenstein**. I think you're really talking—not you, but when that question is raised—it's really apples and oranges. As you know, in Puerto Rico prior to the block grant coming in, 58 percent of the population of Puerto Rico was on food stamps. In the United States as a whole right now, something like 8 or 9 percent of the population is on food stamps. That's a very drastic difference.

What happened in Puerto Rico was, you had 58 percent of the population on food stamps. You had no SSI Program. You had a federally limited AFDC Program. Cash benefits were extraordinarily low. Virtually the entire welfare benefit was in the form of food coupons, which led to tremendous pressures to black market them and convert them into cash. They were being used as a form of cash anyway at that point because of those situations.

I think it was always the feeling at that point that the degree of black marketing and similar activities was vastly higher in Puerto Rico than anyplace in the United States. There is one additional issue, and that is, recall that Puerto Rico shifted to a block grant before those many, many provisions enacted in 1980 and 1981, and more in 1982, to tighten up on the Food Stamp Program were implemented. Remember when GAO just said, "Starting in 1982 it made a difference," so you are comparing a Food Stamp Program in Puerto Rico that not only had 58 percent on it, but it was before the program as a whole was tightened up, with the current situation. The comparisons simply, I think, do not apply.

Finally, you simply don't have the kinds of issues there that I was mentioning we have in this country, particularly in some of the Southern States, where there has been a tremendous disparity in benefits for families with children and everybody else and the outcome has been extremely serious, so it's a different situation.

Mr. **Panetta**. Bill.

Mr. **Emerson**. Thank you, Mr. Chairman.

Mr. Greenstein, on the job search or work fare proposal, it seems to me that there has been resistance to looking very seriously at work fare or job search proposals. You said that when you were head of the Food and Nutrition Service, that you didn't necessarily correlate work programs with food benefits, and I understand that. You know, I understand that there is the theory that says it's demeaning to people who are in need of nutrition assistance to have to worry about anything other than where they are going to get their nutrition assistance. However, to the degree that we have any experience with work fare, there seems to be a lot to be said for it.

People in the communities support work programs, and I cite San Diego because it is, you know, I suppose the paramount example. The experience of this subcommittee when we went there was that everybody in the community that we talked to who had anything to do with it, including those who were beneficiaries. The chairman says it's the people in Los Angeles that didn't like the San Diego work fare program. We didn't hear anything bad about work fare in San Diego. It wasn't until we got to Los Angeles that we started hearing the negative things about it.

This is purely nonpartisan, bipartisan, call it whatever you will. The San Diego County commissioners are a mixture of Republicans and Democrats and liberals and conservatives, and they were all for it. None of our Republican colleagues were with us, but Mr. Hunter and Mr. Lowery, who don't have very good liberal credentials, were very much for it, and Mr. Bates, who doesn't have very good conservative credentials, was very much for it.

The people that we talked with who were the beneficiaries said, "Boy, this is a great thing." Whether it was the job club or work fare or whatever, they were highly complimentary. They said, among other things, that as needy people, as people in poverty, that they had a tendency—and other people bore this out, and I can certainly understand it—that they were depressed. They were in need of nutrition assistance and perhaps other types of assistance, and they sat around their apartments and they tended never to get out. The job clubs and the work programs tended to get them out of themselves, out into the world. They had to go somewhere, meet a schedule, make telephone calls to look for a job and, yes, it was generally helpful.

So it is argued now that work fare should not be implemented on a national basis because of the lack of data. I share the chairman's concern that we can't just say, "here is the program, we're going to have work fare and everybody is going to be on it," and think that is necessarily going to make it work. Perhaps we do need a lot more data than we have, but I don't think that we have looked carefully enough at all of the reasons for which people argue that there should be some work requirement.

I don't think that the idea of work fare necessarily has so much to do with making people earn their benefits as it does to help them overcome the dependency factor and to get them out of themselves and back into the mainstream. I think this is something that we really have to look at more carefully. I think this subcommittee will deliberate on that subject very carefully and perhaps the House will as well. I think that we've got to come out of our hole in terms of having at least pilot projects on this subject. I don't think they have been given enough of an opportunity to breathe. I don't think they have been given enough of an opportunity to work.

I think that we've got to pay this particular area a lot more attention. One underlying reason for which we have to pay it a lot more attention is that, as I mentioned yesterday—perhaps you were here—I haven't seen a congressional survey of any sort that doesn't say the overwhelming majority of the American people believe in the work fare concept. One of my own public opinion surveys of a couple of years ago indicated that 94 percent of the people thought it was a good idea. I don't know if it is because they feel the people ought to earn their benefits or if it's because of reasons that I have suggested here. The fact of the matter is I think any survey would show that the overwhelming majority of the American people, the taxpayers, feel that there has to be something happening to get over the dependency factor.

I will admit that not everyone is there on food stamps because of the dependency factor, but they are there for necessity. I think the concerns that taxpayers show is that there are a large number of people who have just become dependent on food stamps and there is no incentive to move them off.

Now that's not a question. It's a statement and a rather long one, but I would be very glad to have your comments.

Mr. GREENSTEIN. I share your view that we need more attention. Let me clarify. What I meant was not that we didn't focus on job search and work fare when I was at the Department—in fact, the initial job search regulations were instituted, implemented then, and the work fare pilot projects implemented—but that the whole approach then and really up until now has been looking at these as a requirement you have to meet, rather than what kind of structure is going to be most successful in subsequently getting people into jobs.

I think your point that recipients are positive on this, that they want to overcome dependency, relates not just or specifically or only to work fare. It will relate to anything that gives them an opportunity to get a job. Most of these people want to work. The question, it seems to me, is if we go through a work program—whether it is work fare or another—and it initially raises hopes but at the end of it they still don't get jobs, that is less useful than one in which they do, so that one of the things we need to experiment with is to find which approaches have the best results in subsequently increasing employment and earnings.

With regard to work fare, hopefully it will have that effect in some areas. However, the only study that has been done on that issue—Does it increase subsequent employment and earnings?—was done in San Diego, and it was on AFDC work fare, not food stamp work fare, as I understand, the results found very little effect on subsequent employment increases in work fare, more effect from a job search program that they ran.

So I think what I'm saying is, in many jurisdictions there may be other approaches that the jurisdiction would find had better results than work fare. I don't think we need to force them all into the work fare mold. In fact, I think that the administration's work fare approach is precisely the wrong way to go.

The reason I say that, it's not simply that it's work fare. Under their approach, eventually you have got 75 percent of people under work fare, and if there is one thing I have been saying that research indicates, it is that when you try and cover massive numbers of people you get a program that spreads its resources so thin and devotes so little attention—it becomes fairly bureaucratic to process that many—that you don't seem to get the same kind of results.

I would rather see us, whether it is work fare, job search, whatever a local area elects to do, to do something that is more intensive and in depth and hopefully a year later has more of those people actually being in jobs.

The final point I would make, just about work fare, is again the results seem to be mixed. San Diego, I gather, is quite positive on it. On the other hand, a number of the places that ran initial work fare pilot projects didn't find it cost effective and discontinued the program. Maybe some places or others will find other approaches more effective, but I simply don't think there is a case for—and I think there is a strong case against—forcing every jurisdiction in the country into the work fare mode.

But if we talk not about "everybody has to do work fare" but about paying more attention to the general work area with a variety of approaches, all designed to get people into jobs and overcome dependency, then I think that is positive.

Mr. **Emerson**. You get into an area where you argue we need flexibility, and I agree with that. However, then you argue against block grants because it does provide flexibility and we have to have national standards.

Last week while we were home I held a number of meetings around my district about revenue sharing and its alternatives, and met with many county commissions, mayors, and members of city councils in public meetings. There was a strong, strong sentiment that revenue sharing should be preserved, almost to the exclusion of everything else. As a matter of fact, these people, city and county officials, said, "Look, if we've got a choice between categorical grants and revenue sharing, do away with the categorical grants." Why? "Well, revenue sharing permits us flexibility. We can adapt to our local needs and circumstances with revenue sharing help but we can't do that through categorical block grants because the Feds are going to tell us what shape it's going to be, and so on and so forth, and we don't have any flexibility that way."

So, I think that there is a strong reason to write some flexibility into these programs, yet I know we are trying to deliver standards on a national basis. We are trying to deliver services on a national basis that do require some national standards for compliance. I think all of this adds to the difficulty of the problems that this subcommittee has to face, because I don't think we are in very much disagreement on fundamental goals. It's a question of how we get there.

Also, I want to say, in the area of sanctions, I think the purpose of sanctions really is to ensure that we're getting the most nutrition funds for the dollar and that funds aren't being wasted. The idea behind sanctions is that if we don't keep the heat on for proper administration, there are going to be fewer funds for the delivery of nutrition benefits. I don't think anyone wants to deprive people who are entitled to benefits of those benefits. Here again there is a fine line of keeping the pressure on, as it were—and maybe that is not the right term to use—but the pressure on the administrators to be most diligent.

It's curious to me that State programs seem to work so much better than Federal programs. There are, for example, fewer errors in AFDC than there are in food stamps. I don't think this is data that we can afford to overlook.

Mr. **Greenstein**. I think I agree with you about keeping the heat on. I'm not one of those who feels that there should be no sanctions, but I guess I would make two comments. One is, what I have been saying is, there is a lot of heat that is already on. The question is, how much heat is enough heat and how much additional heat is even counterproductive or doesn't get the results that you want.

I'm not sure it is accurate that States do better in State programs like AFDC. The error rate is lower but the point I was making was, the caseload is quite a bit different. If I understand correctly, I believe that this subcommittee through staff last year asked the Department of Agriculture for data that would resolve that issue, asked for data that would allow you to separate out the food stamp error rates into that part that is the AFDC type caseload and that part that is the non-AFDC caseload, and the Department said, "We don't collect that data. We don't have it." But we do know from AFDC's own studies that their error rates are far higher for households with earnings and two-parent households, and we know we have three times as many of those in food stamps as we do in AFDC.

The one other thing I would say in regard to flexibility, I do agree that there are some Federal programs that could well be turned back to the States, but the sense that I would have is that we need to do what a lot of the Governors call the "sorting-out process." Some functions should be State, some functions should be Federal, and so forth. It seems to me there is a difference between delivery of various kinds of services, especially when we have no idea what the single best approach is, as in employment services, and income maintenance benefit levels, which is what food stamp benefit levels are, where the evidence is that when they are set at the State levels we have tremendous disparities that cause some real hardships.

I think that is why you find that when Senator Durenberger, who chairs the subcommittee that deals with federalism on the Senate side, espouses his principles for these programs—and they are principles I would generally agree with—that he argues that things like food stamp benefits and other income maintenance benefits should remain Federal, and that a variety of other kinds of service programs, especially non-low-income services, should be devolved back to the States. So, I do think one needs to kind of—my argument isn't that we have to do everything at the Federal level but that basic benefit levels in these programs do need to be Federal.

It is a point made—again, last year there was a paper released by eight former HEW Secretaries from the Eisenhower, Kennedy, Johnson, Nixon, and Ford administrations, all calling for national benefit standards in AFDC, to deal with precisely this problem of how low the benefits for children are in the South. Instead of going in that direction, a block grant for food stamps goes in the other direction, and that's where I think the problem is.

Mr. **Emerson**. Well, you know, I think that there is a lot wrong with the system, comprehensively. I don't think that a lot of these problems really can ultimately be addressed to our satisfaction or addressed very satisfactorily until we get away from the 1-year budget cycle. I feel very strongly that we need at least to go to a 2-year budget cycle, and that Congress ought to utilize more of its time exercising its oversight function and getting into the nitty-gritty's of some of these programs. Where there is a Federal-State connection, we ought to look into better relationships between the States and the Federal Government.

The States react to what we do budgetwise with alarm. They are not generally willing to accept some ideas that come from the Feds because it's going to have an instantaneous budget impact. Perhaps if we could work at our relationships with the States in such a way that there was more predictability and they could better plan, maybe then we could wade into some of these solutions more satisfactorily than we have in the past.

Well, I had a number of other comments and questions, but I think we have probably gone on long enough here. If I could reserve the right to continue this dialog with Mr. Greenstein in writing or whatever, I would appreciate it.

Mr. PANETTA. There is no way we can avoid continuing dialog with Mr. Greenstein. [Laughter.]

Mr. GREENSTEIN. Mr. Chairman, could I make one very quick point before we——

Mr. PANETTA. Sure.

Mr. GREENSTEIN. There is an issue that was recently brought to my attention that you may want to look at, and it involves food stamps and farmers.

Mr. PANETTA. Yes; I was going to ask you to comment on that, because we are seeing problems in terms of farmers qualifying for benefits.

Mr. GREENSTEIN. As I understand it, this is a technical issue that ought to be able to be resolved, but the way it works now, if you are a farmer and you are applying for food stamps there are two options under the regulations. Either your income is based on last year's tax return, which doesn't necessarily reflect your current situation any more, or you can do it on the current 12-month period but you've got to take the whole 12-month period, take the income that is anticipated and average it over 12 months.

Up until now that has been reasonable. You don't want to give a farmer food stamps for 6 months and he may make a lot of money in the fall when the harvest comes in. The problem is—I have had two States call me about this—the problem revolves around farmers who—and I don't know the latest, maybe this has been fixed by now—farmers who until recently haven't been able to get loans this spring. In the past, the farmer got a loan that covered the living expenses. Then the money came in, in the fall, through the crop. You averaged it over 12 months and they might not be eligible for food stamps.

For those farmers right now who can't get loans and who have very, very little to live on until the harvest and the cash crop comes in, in the fall, they are generally ineligible for food stamps because you still take the money that's going to come in, in the fall and average it over 12 months, even though they have nothing to live on now, or go to last year's tax return which may not reflect the current depressed farm situation. There ought to be a way, whether through regulations—I'm not sure it needs a legislative change, maybe it can be fixed by regulations—but there ought to be a way to resolve that issue. I don't think anybody would intend that a poor farm family that has virtually nothing to live on and is trying to plant, even though they can't get a loan, be denied food stamps when a family with the same amount of money that is on unemployment insurance or lives in a city is drawing food stamps every month.

Mr. PANETTA. Yes; well, Sandra Scott brought that up; I think Iowa in particular is experiencing that problem.

Mr. GREENSTEIN. They were one of the States that was brought up.

Mr. PANETTA. We may see more throughout the Midwest and Southwest, so it's something we are going to have to take a look at.

In any event, thank you for your testimony and, as always, thank you for your guidance on these issues. We will be continuing to talk with you as we work on an authorization bill and see if we can't get a farm bill enacted within these next few months. It's going to be a difficult task overall. It's not just a challenge in this subcommittee. Obviously other subcommittees on this committee are facing some big challenges, but our hope is that we can resolve our issues here so that, whatever bill passes, we will be ready to move with an authorization bill.

Thank you very much. The subcommittee is adjourned until 1:30 this afternoon.

[Whereupon, at 12:15 p.m., the subcommittee recessed, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is now continuing in public hearings on a review of the reauthorization of the Food Stamp Program, the Temporary Emergency Food Assistance Program, and related programs.

Our first witness this afternoon is the Honorable Raymond Flynn, who is mayor of Boston, MA. The subcommittee had the pleasure of holding hearings in Boston within the last few months, and appreciate the support and cooperation of Mayor Flynn at the time. We received a good view of the programs that the State of Massachusetts is putting into effect and the particular problems that you're having to deal with in Boston, Mr. Mayor. We appreciate the cooperation we received then, and that you are here to testify again today.

We do look forward to your comments. I understand you have just completed the Boston marathon. I want you to know that in Washington we never finish a marathon. It goes on and on and on. Anyway, thank you for coming. You may proceed with your statement.

STATEMENT OF RAYMOND L. FLYNN, MAYOR, BOSTON, MA, CHAIRMAN, TASK FORCE ON JOBLESSNESS AND HUNGER, U.S. CONFERENCE OF MAYORS, ACCOMPANIED BY LAURA WAXMAN

Mr. FLYNN. Thank you, Chairman Panetta and Representative Emerson. I once again appreciate the opportunity of testifying before this subcommittee on behalf of the mayors of America, this time as chairman of the Conference of Mayors' Task Force on Joblessness and Hunger.

Last month you got a firsthand look at the issue of hunger in Boston during your visit to St. Francis House, and also we had an opportunity to see firsthand the issue of hunger in that great city. As we look at the related problems of hunger and poverty, we see that it is neither a partisan issue nor is it a political issue. They are American problems and, as the Conference of Mayors' survey suggests, which I present to you today, hunger continues to increase in America.

Yesterday the Federal administration, through the Department of Agriculture, testified that an improved economy had reduced the number of food stamp recipients from 22.6 million to 19.8 million Americans, yet the U.S. Conference of Mayors' report and a Physicians' Task Force on Hunger in America found that 46.5 million people are eligible for the program. At the same time hunger is increasing; our National Government acknowledges that fewer eligible people are receiving the benefits of the program to help them. The same can be said of the Women's, Infants', and Children's Program, nutrition program. Of the 9 million American people who are eligible, only 3 million people receive the benefits.

In Boston a wide variety of conscientious people have created what amounts to a national center for the fight against hunger. They have recognized hunger as a moral challenge.

The Physicians' Task Force and the U.S. Conference of Mayors' report, I think there is one startling conclusion that I think is important to point out here today: that increased hunger in our country is not the result of a climatic change or a natural accident. It is the direct result of a Federal Government policy. As Senator Dole pointed out in his report, many Americans are faced with serious problems and need food assistance. The Senator acknowledged that assistance programs have been effective in alleviating domestic nutrition programs.

The U.S. Conference of Mayors has surveyed some 21 major cities. The result of the poll and the results of the surveys clearly indicate that hunger and poverty in America are increasing. The data presented to you today shows that after 15 months of a general increase in the economy of our country, the problem of hunger in cities has continued to grow and it is expected to increase even further in the next year. Once again, the survey data supports our long-held contention that private charities cannot take the place of a sensible and sensitive government policy.

Consider some of the reports from the cities around the country: Only 5 percent of the low income elderly in Chicago are served through the senior meals program. Chicago has a 2-year waiting list for home delivered meals for elderly and disabled people. Officials there are concerned that many children risk prolonged malnutrition.

Food pantries in Brooklyn and the Bronx report that they have to turn away hungry people every day. Salt Lake City officials tell us that they can verify that children in the School Lunch Program do not get a full meal over the weekend when school is not in session. In Seattle 90 percent of the food banks are only open when food is available, once or twice a week.

Now I know this is information, Chairman Panetta, that you requested of the U.S. Conference of Mayors, and there is a whole volume of material that we, in fact, have prepared for your review, and Representative Emerson and the entire subcommittee. In my city of Boston, 120 food pantries served 5,100 families each month during 1984, an 88-percent increase over 1983. Emergency food assistance facilities are unable to meet the demand in 70 percent of the cities. An average 24 percent, nearly one-fourth of the people who seek food, cannot get it. The cities go on and on and on. In

Baltimore, the oldest soup kitchen in the city saw its clientele increase from 21,000 in 1979 to over 65,000 in 1983.

Now the reports also indicate that the increase in American cities is actually comparable to the breadlines of the Great Depression. We are seeing, in Boston and New York, in Philadelphia and Chicago and other cities throughout the country, these are becoming soup kitchen societies.

Now these programs that are being cut, as well as, for example, the job training programs which are recommended for further cuts, are having a profound impact on the poor and working poor families of our country. We urge that in fiscal year 1986, when the budgetmakers propose to cut programs for job training and nutrition programs and WIC programs, that they take into account that it would really be penny-wise and pound-foolish, and it would be an insensitive retreat from the longstanding gains that we have made as a society to walk away from these kind of programs.

The legislation that you introduced last year, Mr. Chairman, and the legislation that Mr. Leland has introduced, who chairs the committee, I think, in fact, would go a long way in helping to address the issue of hunger in America. We urge, in this testimony that I will present to you, that you support and fight for the passage of similar legislation that you introduced last year.

I would be happy to take some questions but let me just conclude by saying, in this report that we are presenting to you, that the words "hunger" and "America" should be contradictions in terms. Hunger affects the fabric of our society, contributing to the breakdown of our families and our cities. As you and other congressional leaders consider the reauthorization of nutrition assistance programs for the fiscal year 1986 budget, it is clear that we must have a healthy defense system to defend our system, but it is also clear that we must have a healthy country to defend.

With me is Laura Waxman from the U.S. Conference of Mayors, and together we would be happy to try to respond to any of the concerns that you may have. We want to thank you very much for requesting this information from the U.S. Conference of Mayors so you could make an intelligent determination as to the extent of hunger in America. The cities that we have surveyed clearly indicate that hunger is on the increase in America, not on the decrease.

Thank you, Mr. Chairman, Congressman Emerson, and Congressman Lewis.

[The prepared statement of Mr. Flynn appears at the conclusion of the hearing.]

Mr. Panetta. Thank you very much again, Mr. Mayor, for your testimony. I also want to thank the Conference of Mayors for the work that it has done on this issue, both in the past as well as the present. The Conference of Mayors has been extremely effective at providing current information about the problem. Mr. Emerson and I have visited several cities, and we have received strong impressions about what is happening in each of those cities. There is no system that provides an ongoing information flow as to what the situation is.

You have been a tremendous help in our efforts to get that information. We are trying to build an information base on the status of nutrition. The President's Task Force and others have all said that that's a real problem, and hopefully whatever legislation we enact will meet the need for information.

Let me ask you, could you provide me with the number of the cities that you surveyed? Did any of the cities that you talked to respond tthat hunger problems in their cities were increasing?

Mr. FLYNN. There were 21 cities surveyed, Mr. Chairman, and all but 1 indicated that there is a real, dramatic increase in the number of people in need of various Federal programs or community programs to assist them in their nutritional needs. If I could, this is right from the report itself, and I would like to just point out a couple of them.

Mr. PANETTA. Right.

Mr. FLYNN. In Chicago, an 81-year-old man and his wife go for a meal at the Uptown Ministries in Chicago. They live on $293 monthly in their Social Security benefits and $24 in food stamps. They eat mostly grits and oatmeal, sometimes rice and beans.

In North Carolina, a 68-year-old woman with crippling arthritis and hypertension lives on a $250 monthly pension. She pays $85 a month for heat and takes medicine which costs $1 per capsule. On the day of the Physicians' Task Force, for example, who visited her, she had been out on a truck to pick blueberries but had to return because her arthritic hands pained her too much. When asked what she had eaten, she reported that she had some grits the previous day.

A number of cities also indicate that there is a significant increase, and that is the type of information that we have. Maybe Laura would like to point out something from some of the other cities that might be helpful to the subcommittee.

Mr. PANETTA. What I would be interested in is whether the increases that you are seeing are a reflection of increases at the elderly level, are they younger couples, children? Generally what are the demographics of the kind of people that you are seeing?

Ms. WAXMAN. Interestingly enough, in this report a number of cities did identify specifically problems that the elderly were having in getting enough food. Several cities said that all the elderly nutrition programs just were not reaching enough of the people. I think in Chicago they are reaching 5 percent of the elderly population and they have a 2-year waiting limit.

We also saw in the survey a tremendous increase in families and children requesting assistance. Every city except one indicated that there had been an increase in that area.

Mr. PANETTA. Mr. Mayor, I notice it says the percentage by which emergency food assistance facilities have increased, and in Boston you have, I guess, is that 54 percent?

Mr. FLYNN. In Boston it was an 88 percent increase over 1983, in the food pantries that serve families each month.

Mr. PANETTA. Eighty-eight percent?

Mr. FLYNN. Eighty-eight percent, yes, sir.

Mr. PANETTA. And that's from last year?

Mr. FLYNN. That's from 1983 to 1984.

Mr. PANETTA. 1983 to 1984?

Mr. FLYNN. That's correct. One of the food kitchens that you saw, and Congressman Emerson, was a relatively new one, St.

Francis House, that just was opened in the middle of a thriving downtown business economy. Some people point out that Boston is a booming community, and I think last year it had perhaps the greatest amount per capita of private investment of any city in the United States, and yet at the same time, while there is that booming economy, there is a growing number of poor people who live in that community and other cities, as this survey demonstrates, so there is a new increase.

I intended to show some slides. I'll just show this one here briefly, Congressman. These are food stamp recipients compared to people living in poverty. This is 1980. There were 19.5 million people in America that were receiving food stamps, and here we have people living in poverty, right up here now. It's going up to 34 million, and this is the gap of people that aren't benefiting from the Food Stamp Program, so that's reflective.

Here is the U.S. poverty record in the United States, Americans living in poverty, the last 5 years. From 1979 to 1983, 1984 you can see that the arrow is going right off the board here; something in the neighborhood of 24 million and now up here at 36 million people in the United States that are living in poverty.

For example, people who get benefits, unemployment benefits has gone, from December 1980 to December 1984, has increased over 1,400,000 people who are unemployed people, are people who get no benefits at all.

You know, these kinds of situations cannot be resolved by private agencies or charities or churches like, for example, this St. Francis House. They have to be picked up. The safety net is not very strong for the people who are poor and hungry, so that's why we say that a combination of both the Government working with the private community is the answer to making sure that we don't turn our backs on the poor and needy of our country.

Mr. PANETTA. Mr. Mayor, let me ask you for a personal viewpoint. What you have seen take place with respect to increases in food demand and emergency services, has it peaked out in your city? Do you sense that we're at the end of this demand cycle, in that the recovery is starting to turn things around? What do you project? I don't know whether the other mayors were asked that question but I would be interested in the response because we have to reauthorize a bill for 3 to 4 years, depending on the length of the farm bill.

Mr. FLYNN. That's a very good question, if I can say, Mr. Chairman, and if I could ask Mr. Fersh to refer to the chart that we have there, in the second column, that very specific question was asked. The question was asked, "Over the next year the demand for emergency food assistance is expected to—," and then the mayors and the cities were asked to respond, whether, "increase," "stay the same," or "decrease." You can see, going all the way down the line, Boston, "increase," Charleston, "increase," Chicago, "stay the same," Cleveland, "stay the same," Denver, "increase," Detroit, "stay the same," East Orange, "stay the same," Hartford all the way down to Kansas City, Louisville, Nashville, New Orleans, New York City, Philadelphia, St. Paul, Salt Lake City, San Antonio, San Francisco, San Juan, Seattle, and Washington, DC, indicate that they see a need for a dramatic increase in the demand for emergency food assistance for their cities, so that's a very pertinent question.

The answer to it simply is that there is no light at the end of the tunnel for the poor people of America. It is dark at the end of the tunnel as far as they are concerned.

Mr. PANETTA. Mr. Emerson.

Mr. EMERSON. Mayor, the 88 percent increase to which you referred, how does that translate out in actual number of persons rather than by percentages?

Mr. FLYNN. There is a population—let me try to point it out—there is a population of somewhat more than 600,000 people. But in, for example, Boston again, in describing this city that has a growing, prosperous downtown community, 42 percent of all of the families that live in the city of Boston fall below the poverty level. They are eligible for these Federal programs. Now the change in those guidelines that we have experienced will mean that they still will be below the poverty level but they won't be eligible for the various governmental assistance programs. That's why they have to rely on the soup kitchens.

What do we have here? Yes, I'm sorry. I have it right here in the testimony, yes. In Boston, 120 food pantries served 5,100 families each month during 1984, Congressman.

The other point, as well, is that a lot of people from communities that aren't in cities come into cities like Boston, and I know that's the case with other cities, as well. For example, we provide an awful lot of service for homeless people that, if you look at the original point of location, they are not from Boston and they are probably not from other major cities but they move into these cities because the major cities provide these kinds of services for them, so it puts an added burden on some of the major cities of the country.

Mr. EMERSON. Thank you.

Mr. FLYNN. Thank you.

Mr. PANETTA. Mr. Mayor, thank you.

Mr. Lewis, go ahead.

Mr. LEWIS. Thank you, Mr. Chairman. I just thank you very much for your presentation, Mr. Mayor. I think it's outstanding. I have a question and I misplaced it, but I would like to ask you, in your studies—I have heard, as well as a number of my colleagues, about the elderly going into food markets and buying canned dog and cat food and things of that nature because they cannot afford to buy other food—in your studies and this report, did you come across anything of that nature?

Mr. FLYNN. We didn't ask that specific question in this study but if I could make a personal point to answer your question, for example, in communities like Boston and New York that have an extraordinarily high cost of living, and people say receiving Social Security, with not a real impact in a positive way in increases of any kind of Federal programs to assist them, what happens is the cost of living increases, for example, the cost of rent. You find that even with their meager subsidies that they receive, whether it be in Social Security or a small pension, you find that the rent increases, the cost of food increases tremendously, particularly in the area of rent and heat, so in many cases they are paying more than 50 percent of their entire fixed income on rent alone, which means that they have very little money to provide for any of the basic necessities of life such as food.

So they are not receiving the money to provide for the basic nutritional requirements that they need in order to survive and be healthy and productive people. So they have to respond to the soup kitchens which provide some help for them, but when they have to buy their own food they usually buy low-grade foods, in some cases—as has been demonstrated in major cities throughout the country—buying dog food and cat food in order to exist.

Mr. LEWIS. I see you mention also in your report, Mr. Mayor, that the quality of food—you have the quantity but you're concerned about the quality.

Mr. FLYNN. Yes, sir.

Mr. LEWIS. Would that be from a nutritional value or is that just the general quality of food?

Mr. FLYNN. That's from a nutritional point of view. The survey indicated, if I could just read this to you:

> St. Paul officials are concerned because, while emergency facilities in the city do have sufficient quantities of food, there is a problem with the quality. The facilities provide whatever food is available but cannot provide a nutritious diet. Last year Minnesota Food Share raised $200,000 which was used to supplement existing stores with nutritious foods that would balance a family's diet. This year they could raise only $20,000.

And,

> In Washington, DC, several providers of the USDA's surplus commodities program say that there is a greater variety of food, including canned meats and vegetables and peanut butter, and they should be available for distribution through the food pantries.

So you can see that the issue here profoundly is the quality of food in many cases, not so much a problem of the quantity of the food.

Mr. LEWIS. I have one final question, Mr. Chairman. You mention on page 6 of your presentation about the school lunch and breakfast programs, that we should increase that to 195 percent of the poverty level. Now the Food Stamp Program, for a family of four the poverty level is about $10,000. Are we talking about one close to $19,000 or $18,000?

Mr. FLYNN. I couldn't get your question, Congressman.

Mr. LEWIS. Well, you're talking about the school lunch and breakfast programs, and "the income standard of eligibility should be raised to 195 percent of poverty." Now are we talking about close to $19,000 per year for a family of four, or what are you basing that on?

Ms. WAXMAN. We were suggesting, Mr. Lewis, that the current cutoff of 185 percent of poverty be raised to 195 percent of poverty, to be more reflective of a family's ability to pay the cost of an unsubsidized school lunch.

Mr. LEWIS. Well, what does that equate to in dollars, approximately?

Ms. WAXMAN. I could figure it out but I will be happy to present that to you.

Mr. LEWIS. Is it $18,000 or——

Ms. **Waxman**. Well, the current level is $18,000-something for a family of four.

Mr. **Lewis**. It would be $19,000-something, then.

Ms. **Waxman**. Yes, it would be a little bit more.

Mr. **Lewis**. Thank you, Mr. Chairman.

Thank you, Ms. Waxman.

Mr. **Panetta**. Thank you, Mr. Lewis.

Mr. Mayor, again we thank you for the work that you have done and for your continuing concern in this area, and look forward to working with you in developing an authorization bill on food stamps that hopefully can at least be a down payment, if not a final answer, to the problem that we are all facing.

Mr. **Flynn**. Congressman, we appreciate the fact that you have asked this specific question and this specific information, because we know that it's a very emotional case and a very emotional argument. I think before you make a determination, you want to know the specific information. That's what the U.S. Conference of Mayors has tried to provide for you. We want to thank you for your interest, and being interested in the facts.

Mr. **Panetta**. Thank you, and I urge you, if you could, to develop an ongoing information resource, because we would like to refer back to you within another quarter to see if we can't look at this list again and see how it's going at that time.

Mr. **Flynn**. Between marathons we'll do that, Mr. Chairman.

Mr. **Panetta**. Thank you very much.

We have a vote on the floor, so the subcommittee will be in recess for approximately 15 minutes, and we will then have Congressman Biaggi and Congressman Garcia as witnesses.

[Recess taken.]

Mr. **Panetta**. The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition is again in order for purposes of considering testimony on the Food Stamp Program and related nutrition programs.

The next witnesses are Hon. Robert Garcia and Hon. Mario Biaggi from New York, as well as Mr. Juan Rodriguez, who is director of the Merchants Federal Credit Union in the Bronx, NY.

I want to welcome both of you to the subcommittee. Both of you have been strong spokesmen on behalf of the nutrition programs in the Congress and at the Federal level that serve, in Mario Biaggi's case, senior citizens, and in the case of Mr. Garcia, our minority communities. To both of you, my thanks for the support that you have provided on hunger issues in this Congress.

We look forward to your testimony. You may proceed as you wish. Your statements will be made part of the record. Mr. Biaggi, I think you're "numero uno" right now on seniority at this point, so go ahead.

STATEMENT OF HON. MARIO BIAGGI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. **Biaggi**. Thank you very much, Mr. Chairman. There is no difficulty with that designation. My colleague and good friend Bobby Garcia said he would defer to me, I guess because I'm the elder.

Mr. GARCIA. Because he's better looking.

Mr. BIAGGI. In any event, thank you for the opportunity to appear before you, and I am pleased to join my distinguished colleague in introducing and welcoming Mr. Juan Rodriguez, who is today representing our good friend John Torres, president of the Metro Spanish Food Wholesalers located in the Bronx of New York.

We also appear before you as an original cosponsor of H.R. 968, sponsored by Mr. Garcia. This legislation would allow federally insured credit unions to redeem food stamps. As Mr. Rodriguez will point out, passage of this legislation will be of great help to Metro Spanish Food Wholesalers. One of the credit unions that would be able to participate would be the Metro Merchants Federal Credit Union, which works closely with Mr. Torres.

The issue, in essence, is one of equity. If we are to ensure that hardworking minority-owned businesses are able to compete equitably, we cannot allow Federal policies to stand in the way. One of these policies is the existing prohibition of allowing federally insured credit unions to redeem food stamps. This policy has driven wedges and disrupted solid working relationships between merchants and credit unions. The loser in this case is the community. The time has come to provide federally insured credit unions access to food stamp redemption. I am pleased that the issue will be discussed and I commend you, Mr. Chairman, for your interest.

Thank you.

Mr. PANETTA. Thank you, Mario.

Bob, go ahead.

STATEMENT OF HON. ROBERT GARCIA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. GARCIA. Thank you, Mr. Chairman.

First I would like to thank you for holding these hearings. I believe they are absolutely essential.

Mr. Chairman and the members of the subcommittee who were here—and I'm sure they will be back—I feel very strongly about this legislation, H.R. 968. First I would like to give you some background, if I may.

I represent the poorest congressional district in America, the South Bronx. According to the Bureau of the Census, approximately 40 percent of the residents live below the poverty line. Obviously, participation in the Food Stamp Program is high.

Because of this very high poverty rate and the correspondingly high usage of food coupons, Bronx grocers see a significant amount of their business transacted with these coupons. This is not uncommon in urban America and normally, it should not be a problem. Unfortunately, nothing is simple or easy in urban America. Let me describe another problem.

Today banks are leaving my community. Just last week I learned of yet another branch closing. Putting aside the obvious ramifications associated with the closing of a community's financial sector, what does this mean specifically to the local grocer?

Increasingly, the small, independent grocer in the Bronx has looked to his local credit union to meet his financial service needs.

However, this is where our particular food stamp problem manifests itself. A credit union cannot redeem the food stamps that make up a very large portion of urban grocer's daily currency. My question to the subcommittee is: Why?

I could not find a good reason so I, with my colleague Mario Biaggi, introduced with an additional 26 cosponsors, both Republican and Democrat, H.R. 968, a bill to permit federally insured credit unions to redeem coupons issued under the Food Stamp Act.

To discuss the benefits of this legislation: For the grocer; who can now conduct all his banking business at one place; for the credit union: Which can now meet the needs of its members; and for the consumer, who will be assured of the continued attractiveness of his coupons to local businesses.

I would like to introduce a constituent of both Congressman Biaggi and I, Mr. Juan Rodriguez. Mr. Rodriguez manages the Metro Merchants Federal Credit Union in the South Bronx.

Mr. Chairman, I understand that the inspector general of the Department of Agriculture testified yesterday that this legislation is not necessary. Frankly, I am not an expert and I defer to you gentlemen. I am not an expert on farm programs and problems, and I defer to the knowledge of this subcommittee and the Department of Agriculture. However, I do know something about urban America, and this legislation is necessary to the grocers and food stamp recipients of areas such as mine, the South Bronx. I am certain that Mr. Rodriguez' comments will build a very compelling case.

Again, I thank both of you and I thank the subcommittee for the opportunity to raise this concern, and I urge the subcommittee to include H.R. 968 as part of this year's food stamp legislation.

I would like to enter into the record a copy of H.R. 968, and to thank the National Association of Federal Credit Unions [NAFCU] for their assistance in developing this legislation. In addition, I would like to thank the Credit Union National Association, better known as CUNA, for lending their support. If I might, I would like to include several letters in support of H.R. 968 from various organizations and from the Federal Credit Union Administration as well, which provides Federal insurance for credit unions.

Before I ask Mr. Rodriguez to speak, I would just like to say that tomorrow my subcommittee, the Subcommittee on Census and Population, will be holding a hearing with officials from the Bureau of the Census. It ties in—and I was not going to speak to this but the mayor of Boston addressed poverty levels—and we are bringing in the Bureau of the Census because there is a major conference that will be taking place the tail end of May or the beginning of June with experts, sociologists from throughout the country who will be coming into this conference to redefine what poverty is in America. It is an administrative program. It comes out of the administration. It is part of some legislation that was passed back in 1980 by a Senator who is no longer a Senator.

I can tell you that it troubles me deeply, because if the redefinition of poverty—and food stamps will be very much a part of that, obviously—I am concerned that whatever that level is, that it is certainly not going to help the people in urban America, because the level may be increased but the bottom line is, it doesn't mean an additional dollar into the homes of the poor. So I alert you to that because my colleague, Mr. Matsui of California, and I have been working very closely on that and I think it is an issue that is going to definitely tie into what you're talking about and the hearings you are holding today.

But, having said that—and that is impromptu, Mr. Chairman—I would like now to introduce Mr. Juan Rodriguez to the subcommittee. He is the true expert on Federal credit unions in urban America.

[Attachments follow:]

99TH CONGRESS
1ST SESSION

H. R. 968

To amend the Food Stamp Act of 1977 to authorize federally insured credit unions to redeem coupons issued under such Act.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 1985

Mr. GARCIA (for himself and Mr. BIAGGI) introduced the following bill; which was referred to the Committee on Agriculture

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A BILL

To amend the Food Stamp Act of 1977 to authorize federally insured credit unions to redeem coupons issued under such Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 10 of the Food Stamp Act of 1977 (7 U.S.C. 2019) is amended by inserting "or insured under the Federal Credit Union Act" after "Federal Savings and Loan Insurance Corporation" each place it appears.

NAFCU
National Association of Federal Credit Unions
P.O. Box 3769
Washington, DC 20007
703/522-4770

February 7, 1985

The Honorable Robert Garcia
U. S. House of Representatives
Washington, D. C. 20515

Dear Representative Garcia:

The National Association of Federal Credit Unions (NAFCU), the only national organization exclusively representing the interests of credit unions chartered by the federal government, strongly supports your efforts to restore credit union authority to redeem food stamps. Your legislation (H.R. 968) would restore an authority once construed to be granted to credit unions which would enable them to better meet the needs of their members—particularly those credit unions situated in urban areas, serving members with low to moderate incomes.

Prior to passage of the Food Stamps and Commodity Distribution Amendments of 1981 ("The 1981 Act"), Section 10 of the Food Stamp Act stated that "regulations issued pursuant to this Act shall provide for redemption of coupons...through banks" (7 U.S.C. 2109). Subsequently, the Food Stamp and Commodity Distribution Amendments of 1981 (Public Law 97-98) amended the Food Stamp Act by striking the word "bank" every time it appeared in Section 10 of the Food Stamp Act, and inserting in its place "financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC)." As a result of this amendment, federally insured banks and savings and loan associations may now redeem food stamps for their customers, while federally insured credit unions are precluded from performing a similar function. NAFCU wholeheartedly agrees with the view that credit unions are quite different than banks and savings and loans. However, we do not believe that this difference necessarily requires that federally insured credit unions be prohibited from redeeming food coupons. This anomaly would be rectified by amending the Food Stamp Act, as you propose, by including in the category of institutions permitted to redeem food stamps those insured by "the National Credit Union Share Insurance Fund."

NAFCU also believes that the legislation you have proposed is necessary and consistent with the traditions of the credit union movement. Founded as cooperatives to provide members with an opportunity to borrow at reasonable rates, credit unions have consistently striven to provide fundamental financial services to their members. In areas such as your Congressional District, credit unions remain one of the last providers of lifeline financial services. By authorizing credit unions to once again redeem food stamps, you authorize them to offer a service that is directly related to the fundamental needs of their members.

The Honorable Robert Garcia
February 7, 1985
Page Two

Seeking the opinion of E.F. Callahan, Chairman of the National Credit Union Administration, on authorizing federally insured credit unions to redeem food stamps, NAFCU has received correspondence indicating his willingness to lend support to such an initiative. For your review a copy of that letter is enclosed.

Mr. Garcia, NAFCU appreciates your efforts to enable credit unions to redeem food stamps and would be willing to do whatever we can to assist you.

Sincerely,

John J Hutchin

John J. Hutchinson
President

JJH:ew

Enclosure

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

November 16, 1983

Ms. Laura W. Rossman
Acting Executive Vice President
National Association of Federal
Credit Unions
P.O. Box 3769
Washington, D.C. 20007

Dear Laura:

Thank you for contacting me with regard to the issue of food stamp redemption at credit unions.

While credit union participation in the program would likely be minimal, I can think of no reason why credit unions should not be able to contribute to the efficient operation of the Federal Food Stamp Program. I shall be pleased, therefore, to support your efforts to amend the law in order to permit credit unions insured by the National Credit Union Share Insurance Fund to redeem food stamps.

Sincerely,

Ed

E. F. CALLAHAN
Chairman

Credit Union National Association, Inc.

5710 MINERAL POINT RD • BOX 431 • MADISON, WI 53701 • 608-231-4000

HAROLD T. (TOM) WELSH
Chairman
544 Beckman Drive
Kankakee, IL 60901
Business: 815/937-7449
Residence: 815/933-1943

March 1, 1985

The Honorable Robert Garcia
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Garcia:

The Credit Union National Association (CUNA), the credit union movement's leading trade group which represents almost 19,000 federal and state chartered credit unions serving more than 51 million Americans, supports your efforts to permit federally insured credit unions to redeem food stamps.

As you know, the "Food Stamp and Commodity Distribution Amendments of 1981" amended the "Food Stamp Act" to allow "financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC)" to redeem food stamps. The 1981 amendments did not provide similar authority for federally insured credit unions. CUNA believes that your legislation to permit credit unions to redeem food stamps, H.R. 968, would give credit unions another opportunity to serve the basic financial needs of their members.

As you said in your floor statement introducing H.R. 968, bank branch closings in inner-city areas and the recent increases in fees for processing food coupons point toward the necessity of increasing redemption outlets. Since credit unions are continuing their commitment to less profitable communities, including inner-city localities, small towns and rural areas, allowing federally insured credit unions to redeem food stamps would increase the number of coupon redemption outlets and would possibly decrease the fees now charged to process the stamps.

A recent consumer poll conducted by the American Banker newspaper rated credit union members as the most satisfied consumers of financial services and the least likely to consider changing financial institutions. For years credit unions have provided consistently dependable and affordable services to members regardless of their economic status.

Amending the "Food Stamp Act" to permit institutions insured by the National Credit Union Share Insurance Fund to redeem food stamps, would give credit unions as non-profit cooperatives another opportunity to meet the needs and provide for the security of their member/owners.

Congressman, CUNA thanks you for your interest and support in regard to this issue and offers its assistance in helping to promote the passage of H.R. 968.

Sincerely,

Harold T. Welsh

Harold T. (Tom) Welsh
Chairman

Mr. PANETTA. Thank you very much.

Mr. Rodriguez, you may proceed.

STATEMENT OF JUAN RODRIGUEZ, MANAGER-TREASURER, METRO MERCHANTS FEDERAL CREDIT UNION

Mr. RODRIGUEZ. Thank you, Congressman Garcia.

On behalf of the members and directors of the Metro Merchants Federal Credit Union, I want to thank you, Mr. Chairman, and the members of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, for the opportunity to present our statement for the record in support of H.R. 968. We also want to thank Hon. Congressman Robert Garcia and Congressman Mario Biaggi for their sponsorship on this very important bill on behalf of the federally insured credit unions.

As I mentioned before, I am representing the Metro Merchants Federal Credit Union, established in 1974 and serving members in the Metropolitan New York City area, especially in Bronx County. Our credit union has played an important role in the local economic development of the Bronx, specifically the South Bronx.

Our membership and its directors give full support to H.R. 968 introduced by Mr. Garcia. This bill essentially requests that section 10 of the Food Stamp Act of 1977 be amended to include and allow federally insured credit unions to redeem food stamp deposits from their members.

Credit unions have existed for over 50 years in this great Nation, and are just one example of this Nation's ingenuity and its fairness to all of its people. The basic philosophy of a credit union is the common bond and self-help concept for its members. Credit unions are, unlike other financial institutions, member-owned, federally insured, regulated, and supervised.

Credit unions have been recognized as one of the fastest growing financial institutions within the financial community, and the financial markets are awakening to the fact that credit unions claim a growing share of this market. Their importance has been highlighted in all sectors of the financial industry

It is important to note that, though we are financial cooperatives, our services and operations are similar to those of other financial institutions, and in some cases some large credit unions are financially stronger than many other smaller financial institutions combined. As stated in the 1984 year-end report of the National Credit Union Administration, credit unions have surpassed growth rates in terms of savings, loans, revenue and reserves, as compared to other financial institutions.

It is worthy to note that credit union members maintain a fundamental loyalty and support for their institution. They are proud of the achievements of the past 50 years, and that, unlike other financial institutions, they are owners and that their credit unions are managed by individuals elected by them on a volunteer basis.

Credit unions offer most, if not all, of the financial services currently offered in other financial institutions. There is only one difference in providing these services, and that is, we offer them at a lower cost, if not, at no cost at all to our members. Credit unions are mainly organized to service their members, and all revenues are redistributed to all of their members according to their share of investment in the institution.

Our members rely on the integrity of their institution. They are confident in its financial soundness and in the efficient and skillful manner in which their operations are carried out from day to day. Credit unions are internally audited by a supervisory committee. In addition to this, we are examined frequently during any given period within an operating year by the National Credit Union Administration, which is an independent agency within the executive branch of our Government. These examinations are statutory and provide a complete overview of credit union operations.

In addition to the audit aspect, members are confident that their savings are insured up to $100,000 per account by the National Credit Union Share Insurance Fund, an insurance similar to the FDIC and the FSLIC. We are proud to say that at present our fund is the strongest and best reserved among the other insurance funds. This has been accomplished by the recent funding by all Federal credit unions which provided over $850 million in increased fund equity. Thus, we accomplished a very important aspect of our movement, and most importantly, we did not have to turn to the Treasury for help in meeting the fund's required levels of equity. This has been indeed a historical event in the credit union history.

It is, therefore, unfair that credit unions, while offering similar financial services to their members as other financial institutions, cannot participate in the Food Stamp Redemption Program, unlike other institutions insured by the FDIC and the FSLIC. Metro Merchants Federal Credit Union is a specific case affected by this exclusion.

Our members have been forced to handle their financial transactions in two different places—our credit union for their basic financial needs on a day-to-day basis, and a savings or commercial bank for the food coupon deposit. The volume of food coupons deposited by our members is more than the normal deposits among retailers in other city areas, because many of these retail stores are located in inner-city areas, and they mainly serve low- and moderate-income families that benefit from the Food Stamp Program. This is more evident in the stores located in the South Bronx, where our credit union is located.

In addition to banking in two different places, our members are greatly burdened by the restrictive policies imposed on them and in many cases the excessive charges made to their accounts. Our members have complained of many of these restrictions, such as:

One, the requirement of a specific food stamp account balance to open the account—usually $500 or more—and maintaining an average monthly balance in their account to avoid charges.

Two, deposits must be made in bundles of 100. Loose coupons will not be accepted, though they are stamped by the retailer's identification on the coupons.

Three, in many cases, retailers are charged for each deposit made, which, added to other charges, not to mention the monthly required service charge to the account, can add to dollars needed for their grocery business.

Basically, financial institutions want to discourage customers to open these accounts. This is so because these institutions want to minimize their costs in processing these deposits, and are passing this cost to the retailers. This leads to an already existing uneasy relationship between these institutions and our members.

Our credit union intends to do away with these restrictive policies and charges which in no way will affect our cost. Our credit union has always offered free share draft accounts, which is the equivalent to a checking account, to our members. The increase in service charges by other financial institutions will ultimately lead retailers to pass this cost to the consumer. H.R. 968 is important, in that members can consolidate their financial transactions in one place. The closing of bank branches in our area also imposes a burden to our members, as they would have to relocate their account to some other financial institution.

Once we can begin accepting food stamp coupon deposits, our liquidity will improve, thus providing additional funds to satisfy our loan demand, which in turn will be invested in our community.

We can assure that credit unions will be effective in providing this service to their members and that credit unions have the tools and proper supervision to administer this program and adhere to rules and regulations set forth by the Agriculture Department and the Federal Reserve Bank.

It is, therefore, crucial that this bill be passed so that credit unions can have a right to participate in the program, as do other financial institutions. It is ironic that credit unions are considered financial institutions in some areas, such as taxation, and excluded in many others. We intend to prove that credit unions serve an important purpose in this Nation. The last 50 years have been of great achievements in the credit union movement, and we will continue to struggle to maintain those achievements and ultimately be considered on an equal basis as other financial institutions.

We also believe that we can contribute to the efficiency and economics of the Food Stamp Program, contrary to what others might think. This contribution will benefit our retailers and eventually will lead to benefit the beneficiaries of the program, the low- and moderate-income consumers of this Nation.

I thank you for your time and kind attention.

[Attachments follow:]

New York State Credit Union Service and Support System

New York State
Credit Union League, Inc

League Marketing Group, Inc

Empire Corporate Central
Federal Credit Union

Sidney Stahl Memorial Foundation

March 5, 1985

House of Representatives
Washington, D.C. 20515

Dear Congressman:

The New York State Credit Union League, Inc. supports HR 968, which has been introduced by the Honorable Robert Garcia. His proposed amendment of the "Food Stamp Act of 1977" would authorize the 947 federally chartered credit unions that we represent to redeem food stamps.

Bank branches closing in the inner cities, and increasing fees for the processing of food coupons by the remaining banks, has discouraged grocers from accepting the coupons. Federal Credit Unions should be given the opportunity to provide this service for the benefit of their members.

We urge your support of this important legislation.

Sincerely,

Charles M Whitney

Charles M. Whitney
President
New York State Credit Union League, Inc.

CW/CMW/wn

Credit Union Center • 2 Wall Street • Albany, NY 12205 • 518-869-0941

CREDIT UNION Technical Reporter
TECHNICAL INFORMATION FOR CREDIT UNION OPERATIONS AND MANAGEMENT
VOL. II ISSUE I
MARCH 1985

What Is a Credit Union?

DEFINITION

A credit union is a group of people who join together to save money and to make loans to each other at low rates of interest. A credit union is a financial co-operative organized from a group of people with a shared field of membership. This could include workers in the same factory, members of a church, or farmers in a community, to name only a few examples.

A credit union is more than a financial institution. It is a group of people working together to improve themselves socially and economically. Credit union members demonstrate the practicality of concern and service to their fellow human beings.

As a co-operative, a credit union is a democratic and non-profit organization. Members invest a small amount, called a share, to join. This transaction allows members to be owners of the credit union. And, it entitles them to elect a board of directors, who set policy and may appoint a manager.

The credit union is owned and controlled by its members. This is vital in understanding the nature of credit unions. Members have the final authority on all decisions within policies and bylaws. But to carry out the daily decisions of the credit union, members must delegate their authority. This is accomplished by electing a board of directors, which in turn may hire a manager.

Many credit union treasurers serve as the part-time manager to handle daily operations until a full-time manager can be afforded.

PURPOSE

One of the purposes of a credit union is to educate the members about thrift, regular savings, and the wise use of credit. A basic teaching is that through financial self-reliance people can guide their destiny. The wise use of credit involves borrowing for productive purposes.

Saving money regularly is difficult under any economic system. Credit unions encourage members to save a portion of their income regardless of the amount. Some employee credit unions have payroll deduction or check-off systems. Under these plans, the employer has the member's permission to withhold a certain amount from each paycheck for savings deposits or loan repayments directly sent to the credit union.

Education can take many forms; it need not be costly. A regular newsletter can be an effective means of keeping members informed about interest rates, services, and meetings. Simple brochures, posters, and fliers are also inexpensive methods of providing information. Workshops, too.

Volunteers are the lifeblood of the credit union and they are the key element that separates credit unions from other financial institutions. Volunteers give their time and energy freely to make the credit union a good place to save and borrow making the credit union movement possible.

BOARD OF DIRECTORS

Members elect an unpaid board of directors, which has the responsibility of overseeing the general direction of the credit union. This includes directing the credit union in accordance with national and local laws, bylaws, and sound business practices.

Directors need to understand the philosophy and operations of the credit union movement, as well as the history and bylaws of the credit union. Some of the directors' duties include: attending all board meetings... monitoring the operations of the credit union... approving and planning the budget... setting policies for the credit union... and, selecting the manager.

POLICIES

Policies should be written to cover most aspects of a credit union's operations. Well-written policies give the members, manager, employees, and committee members guidelines to carry out their responsibilities. They also provide answers to repeated questions.

Policies set by the board include: liquidity and reserves... audit requirements... education of members and promotion... services... planning for annual meetings... wages.... delinquent loan control... insurance... collections... security... cash and investment control... interest rates for savings loans and dividends... and compliance with local and national laws.

COMMITTEES

Committees help ensure increased democratic participation in the credit union by involving more members in decision-making.* Committee members are either elected by the membership or appointed by the board of directors. Traditionally, credit unions have had at least

3

three committees: credit, supervisory, and education. Committees are representatives of the credit union membership.

Credit committee. When a member applies for a loan, the credit committee of peers decides whether or not to grant the loan. The main criteria for granting a loan should be the "3 Cs":

1. Character of member
2. Capacity to pay
3. Collateral or security offered.

Supervisory committee. This committee has the responsibility of reviewing and evaluating the daily operations of the credit union and making recommendations for improvement.

Education committee. The responsibility of the education committee is to teach the members about the philosophy and practices of the credit union as well as the responsibilities and benefits of membership. This committee often serves as the promotion arm of the credit union. And, it keeps the board and management informed of responses from members and potential members.

A constant flow of information between leadership and members is necessary for a democratic organization. The manager needs to listen to members to learn their views, and members have a responsibility to communicate those views about the credit union to leadership and staff.

Fantastic Year for FCUs: Financial Performance Outpaces Competition

Editor's Note: The following answers are provided by NCUA Office of Programs Director and CLF President Charles Filson in response to questions from members of the credit union press. The numbers referred to are from the tables and charts accompanying the article.

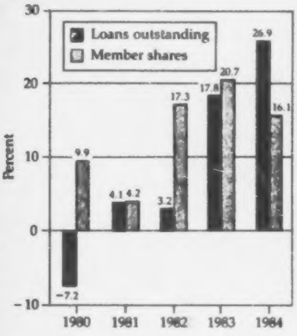
Q. Last year you said the financial results were "fantastic"—is there an adjective that you would use to describe credit unions' 1984 performance?

A. Not unless fantastic has a superlative case. This year's accomplishments are even more remarkable than 1983's. All of the important "macro" indicators are up. Shares rose by 16.1%, loans by 26.9%, and all reserves by 22.2%. But two factors make these numbers even more remarkable.

First, this is the third consecutive year of outstanding growth. It is not uncommon to see a business or industry have one or two excellent years, but the last three years have seen year to year changes in shares of 17.3%, 20.7% and now 16.1% for a total of 54.1%. That is incredible. And it has been accomplished in an extremely competitive environment.

Second, the numbers in 1984 show remarkable balance. It is not unusual for *one* part of an operation to have a good year, such as shares, or loans or capital, but to have all three show positive results is a major accomplishment by the managers of credit unions.

Annual Percentage Change: Loans/Shares



Q. Are there any major differences in the pattern of share growth this year compared to 1983?

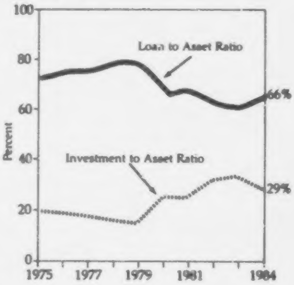
A. Yes. There is a greater increase in certificate accounts, especially in the Individual Retirement Account totals. Total IRA savings dollars rose 78.2% to $5.2 billion and the percentage of total savings in these accounts grew from 5.9% to 9.0%. That is a very positive result.

On the other hand, IRA money is generally the most expensive. While there is a "long term" prospect to these relationships, the holder can "roll over" these accounts to other institutions. Therefore, managers have to balance the cost of these funds with the knowledge that once they lower rates to be more in line with their certificate accounts, these funds, like all other funds, can leave. My sense is that IRAs still have a "loss leader" element in the pricing and now that they account for 9% of credit union savings, they can become too expensive.

Q. How do these results compare with the competition?

A. Bank and S&L deposits were up 8.4% and 16.8% respectively. We don't know earnings totals or other details. But it's safe to say credit unions are far out in front. During the last three years, we've seen a cumulative increase in savings at credit unions of 54.1%. In that same period, consumer savings at banks grew cumulatively by 26.6% and deposits at S&Ls grew 36.4%.

Loan to Asset Ratio: Natural Person Federal Credit Unions 1975–1984



Q. Were there any major changes in credit union operations recorded in the numbers?

A. If by operations you mean asset strategies, yes. Credit unions have become more aggressive in adding to their earnings power, not through investments, but by loans. Even though loans grew 17.8% in 1983 compared to 26.9% in 1984, savings increased more rapidly two years ago so that the loan-to-savings ratio continued to fall to an all-time low of 66.5% in 1983. This year that ratio is up to 72.7%. This, in my judgment, is the single most critical performance area for success in a deregulated environment. While everyone thinks deregulation means growth in shares it's what you do with the money that matters, not how much you can get in.

Percent Distribution of Savings by Type of Account for Natural Person Federal Credit Unions 1980–1984 (as of December 31)

Type of Account	1980	1981	1982	1983	1984
Regular Shares	**75.6%**	**69.2%**	**72.6%**	**73.9%**	**68.7%**
Share Drafts	4.1%	5.6%	7.1%	8.5%	9.1%
Other Regular Shares	71.5%	63.6%	65.5%	65.4%	59.6%
Share Certificates	**24.4%**	**30.8%**	**27.4%**	**26.1%**	**31.3%**
IRA & Keogh	N/A	.4%	2.3%	5.9%	9.0%
All Savers	.4%	3.3%	3.0%	N/A	N/A
Other Certificates	24.0%	27.1%	22.1%	20.2%	22.3%
Total Savings	100.0%	100.0%	100.0%	100.0%	100.0%
Total Savings in Millions of Dollars	**$31,812**	**$35,248**	**$41,352**	**$49,891**	**$57,927**

Q. Isn't there a danger if loans grow too quickly? Can quality really be controlled?

A. Yes, there is a potential concern. But a lot of the growth now is coming from a dramatic increase in overall consumer demand. Internally, credit unions have a lot of unused lending capacity. So initially this two year growth in loans of over 44% shouldn't present any unusual problems.

In fact, if we look at the loan quality indicators - delinquency, reserve ratios, net chargeoffs - all of these numbers in fact show an improvement in overall loan quality.

In the longer term the danger arises if credit standards are not maintained or if credit unions become overly aggressive by getting into new areas where their experience and expertise is limited, such as small business lending or commercial and real estate development loans.

Q. Do the numbers indicate if loans are still a "good deal" at the credit union?

A. Not directly. Every credit union sets its own loan rates subject only to the 21% federal usury ceiling. But I think there are some good indirect numbers that indicate members think the credit union is a good place to borrow. First, the credit union share of overall consumer installment loans increased slightly in 1984. Second, the rate distribution on unsecured and new auto loans shows credit unions continuing to offer very competitive rates on average. Finally, the ratio of loan income to average loans is 13.8% which is a rough rule of thumb for what a person pays for the whole package of consumer credit services at credit unions. This seems very competitive compared to what I see other institutions offering.

Analysis of Loans Outstanding at Natural Person Federal Credit Unions 1980-1984 (as of December 31)

(Amounts in millions of dollars)

Item	1980	1981	1982	1983[1]	1984
Loans outstanding	$26,165	$27,238	$28,192	$33,201	**$42,132**
Allowance for loan losses	$179	$212	$244	$270	**$298**
Regular reserves	$1,122	$1,208	$1,325	$1,489	**$1,800**
Amount of delinquent loans	$875	$803	$884	$748	**$826**
Loans charged-off	$179	$191	$192	$195	**$201**
Recoveries on loans	$23	$29	$33	$40	**$45**
Provision for loan losses	$167	$183	$175	$162	**$164**
Significant Ratios (as a Percent of Loans Outstanding)					
Allowance for loan losses	.68%	.78%	.87%	.81%	**.71%**
Regular reserves	4.29%	4.43%	4.70%	4.48%	**4.27%**
Delinquent loans	3.34%	2.95%	3.15%	2.25%	**1.96%**
Loans charged-off	.68%	.70%	.66%	.60%	**.48%**
Net loans charged-off	.60%	.59%	.56%	.48%	**.37%**
Provision for loan losses	.64%	.67%	.62%	.49%	**.39%**

[1] Revised

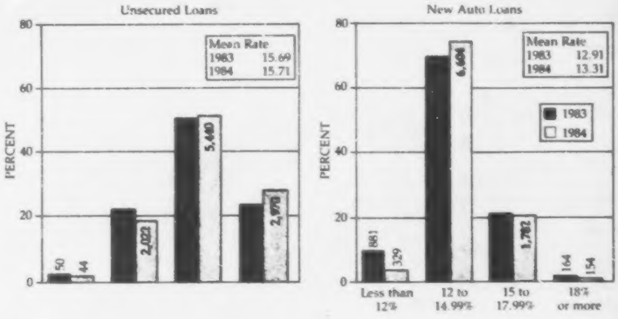
Percentage Distribution of Consumer Installment Credit by Type of Lender 1980-1984

Type of Lender	1980	1981	1982	1983[1]	1984
Credit Unions	14.1%	13.9%	13.7%	13.7%	**14.4%**
Commercial Banks	46.9%	44.5%	44.1%	43.4%	**44.5%**
Savings & Loans	3.5%	3.5%	4.0%	5.5%	**6.8%**
Mutual Savings Banks	.9%	.8%	.9%	1.6%	**1.8%**
Retailers	9.1%	8.9%	8.8%	8.4%	**7.7%**
Finance Companies	24.5%	27.1%	27.3%	26.3%	**23.9%**
Gasoline Companies	1.3%	1.3%	1.2%	1.1%	**.9%**
Total	100%	100%	100%	100%	**100%**
Consumer Installment Credit Outstanding (in millions)	$313,472	$331,697	$344,798	$388,718	**$468,691**

[1] Revised

Source: Federal Reserve Board

Distribution of Natural Person Federal Credit Unions by Rate Charged on Selected Loans as of Yearend 1983 and 1984



Total Investments at Natural Person Federal Credit Unions 1980–1984 (as of December 31)

(Amounts in millions of dollars)

Item	1980	1981	1982	1983[1]	1984
U.S. Government Obligations	$491	$490	$675	$1,751	$1,795
Federal Agency Securities	$2,500	$2,346	$2,934	$3,648	$3,930
Common Trust Investments	$933	$735	$966	$653	$421
Deposits in Commercial Banks	$3,575	$3,897	$2,799	$2,774	$2,541
Deposits in S&Ls & Savings Banks			$3,863	$6,297	$5,867
Shares/Deposits in Corporate Credit Unions	$1,908	$2,134	$3,537	$3,255	$3,431
Investments in other Credit Unions	$211	$172	$185	$125	$103
Other Investments[2]	$187	$312	$235	$360	$479
Allowance for Investment Losses	$4	$9	$15	$17	$19
Total Investments	$9,805	$10,086	$15,194	$18,863	$18,567

Percentage Distribution

Item	1980	1981	1982	1983	1984
U.S. Government Obligations	5.0%	4.9%	4.4%	9.3%	9.7%
Federal Agency Securities	25.5%	23.3%	19.3%	19.3%	21.2%
Common Trust Investments	9.5%	7.3%	6.4%	3.5%	2.3%
Depocits in Commercial Banks	36.5%	38.6%	18.4%	14.7%	13.7%
Deposits in S&Ls & Savings Banks			25.4%	33.4%	31.6%
Shares/Deposits in Corporate Credit Unions	19.5%	21.2%	23.3%	17.3%	18.5%
Investments in other Credit Unions	2.2%	1.7%	1.2%	.7%	.6%
Other Investments[2]	1.9%	3.1%	1.5%	1.9%	2.6%
Total Investments	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Revised

[2] Includes loans to other credit unions, shares in CLF of NCUA and other investments

Q. Credit union investments continued to make headlines from time to time in 1984. Were there any significant changes here?

A. Yes, but not of a quantitative nature. Total investments actually fell by 1.5% to just over $18.5 billion. That's what we would expect to happen as loan demand picks up. Based on the kinds of inquiries to the NCUA Investment Hotline and the absence of questions at credit union meetings (such as "when are you going to give us more investment authority?"), I think that credit unions are over their "investment fixation." Credit unions have never really had an economic advantage in managing investment portfolios compared to other financial intermediaries such as mutual funds. Investments by credit unions on average earned 300 basis points (3%) less than loans in 1984. Managers are learning that lending is what gives the credit union its greatest economic return.

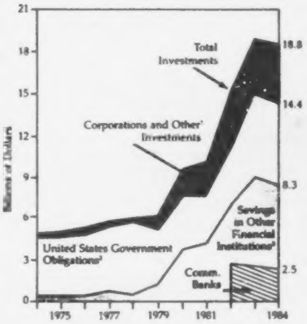
Additionally, credit union investments in banks and S&Ls declined by 8.4% and 6.8% respectively but actually increased in corporate credit unions by 5.4%. I think that increase in the face of an overall decline shows a greater competitiveness by corporates plus a broader based set of investment decision criteria by credit union managers. In other words, a "good" investment is something more than just a high yield. I hope the total benefits of the corporate relationships are becoming more obvious to all credit unions.

Q. But don't we run the high risk of credit unions "going long" by buying long term GNMA's and other securities as rates fall and pressures continue to achieve maximum yield?

A. That pressure is always there. However, very few credit unions extended their portfolios at all in 1984. The percent of total investments over one year was 24.9% at December 1984, compared to 23.1% a year earlier. While I have recently read some investment literature written by brokers for credit unions suggesting that now is the time to lengthen portfolios, I think most managers know that the risks of doing so have rarely, if ever, equalled the gains.

Moreover, I think the expansion of investment powers into Eurodollars and Bankers' acceptances has given federal credit unions a little extra earnings opportunity and that has encouraged them to keep the bulk of their investment funds at less than one year.

Investments in Natural Person Federal Credit Unions 1975–1984

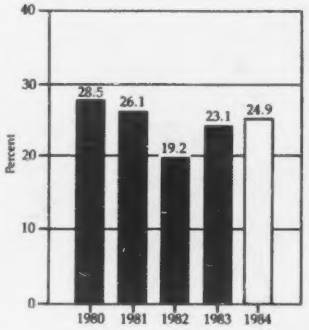


[1] Includes deposits and certificates in other credit unions, including corporates, and other investments.

[2] Includes Federal Agency Securities and Common Trust Investments

[3] Represents savings and loan association shares and beginning in 1978, savings on commercial and mutual savings banks.

Long Term Investment As Percent of Total Investments



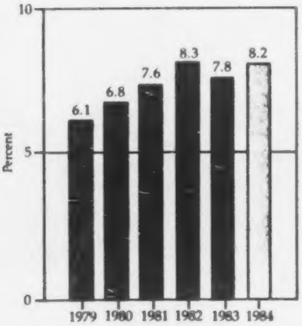
Q. Are there any dramatic surprises on the income and expense side?

A. No surprises, but more great results. The bottom line is up 67.8%. The 6.4% net income to gross is the highest on record. Total income rose 22.9% while assets were up only 16.8%—credit unions are getting a higher return on all their assets. Expenses increased only 12.9% and there was actually a 23.3% *decline* in operating fees and a 9.7% fall in member insurance expenses due to NCUA's reductions in supervision fees and the cancellation of a second insurance premium. While employee salaries rose 14.6% total employees went up almost 10%. Good management starts with expense control.

Q. If the total net income went up does that mean the members were short changed on dividends?

A. No. In fact credit unions paid out a higher percentage of gross income to members in dividends than the year before—59.2% compared to 58.9% in 1983. Overall dividends went up 23.3% to over $4.4 billion. Since shares increased only 16.1%, that means the average return on shares increased as well. We calculate the average return on shares was 8.2% in 1984 compared to 7.8% in 1983. In a well run organization everyone wins.

Effective Cost Of Shares For Federal Credit Unions



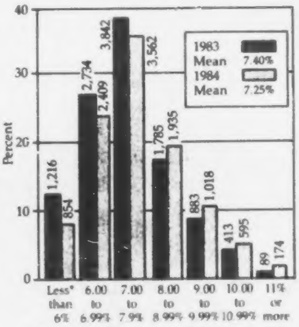
Natural Person Federal Credit Unions Experiencing Losses

Year Ended December 31	No. of Federal Credit Unions	No. of Federal Credit Unions Experiencing Losses	Percent of Total Number of Federal Credit Unions	Amount of Negative Earnings (thousands of dollars)
1980	12,440	3,950	31.8%	$120,099
1981	11,969	2,561	21.4%	$82,735
1982	11,631	2,572	22.1%	$63,098
1983	10,963	2,443	22.3%	$45,434
1984	**10,547**	**1,041**	**9.9%**	**$18,555**

Natural Person Federal Credit Unions Experiencing Losses in 1984 by Asset Size

Asset Size	No. of FCUs	Assets	Amount of 1984 Losses	Amount of Reserves & Undivided Earnings
Less than $1 Million	634	$205,760,577	$(2,176,170)	$15,536,957
$1 Million to less than $2 Million	138	$198,687,840	$(1,646,739)	$10,799,526
$2 Million to less than $5 Million	126	$394,137,431	$(2,533,978)	$20,818,024
$5 Million to less than $10 Million	65	$461,669,678	$(3,056,383)	$20,149,359
$10 Million to less than $20 Million	0	$0	$0	$0
$20 Million to less than $50 Million	28	$871,974,820	$(3,164,025)	$33,731,856
$50 Million and up	50	$1,913,703,848	$(5,978,179)	$58,881,965
Total	1,041	$4,045,934,194	$(18,555,474)	$159,917,687

Distribution of Natural Person Federal Credit Unions by Dividend Rates Paid on Regular Shares as of Yearend 1983 and 1984



*Includes 447 FCUs in 1982 and 69 in 1983 that did not pay a yearend dividend on regular shares.

Note: Median represents unweighted average based on number of FCUs.

Q. How does NCUA "win?"

A. Our goal is safety and soundness. Credit unions have shown that they can build capital without the regulator having to mandate new or higher levels. The large positive net income increased total reserves and undivided earnings to 6.3% of assets, up .3% from yearend 1983. That is responsible and mature credit union management.

Second, the better the results, the fewer problems the Agency has to deal with. In 1984 the number of credit unions reporting operating losses was only 1,041, or 9.9%. Their total losses were only $18.5 million. Those numbers are down dramatically from 1983. Compared to 1980 figures of 3,950 credit unions experiencing losses totalling over $120 million, the turnaround is incredible.

Finally, the severity of problems is lessening. Our printouts of two year and three year "losers" are much shorter. The level of losses in these credit unions on a year to year basis is falling dramatically. Every region has made bottom line net income the single most important performance indicator. The results of this effort are a real tribute to the NCUA Regional Directors and their examiner staffs. And as reported in the 1984

The ratio of Fund equity to the Fund's loss reserves increased during 1984 for two reasons: continuing strong earnings in the Fund and financially stronger credit unions.

Fund Equity

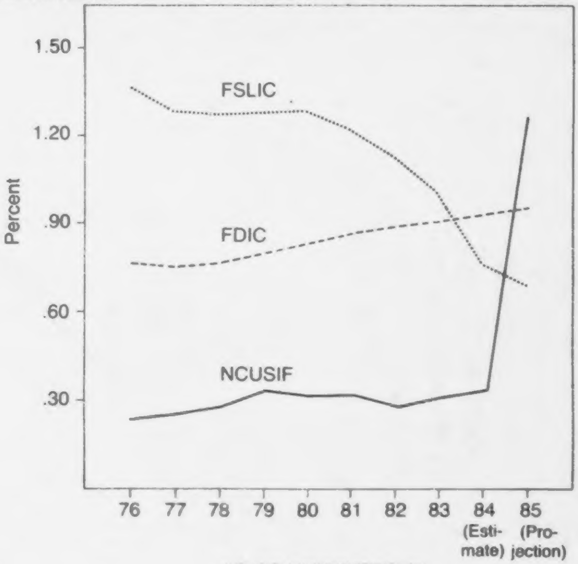
As of September 30, 1984 the Insurance Fund's equity of $285 million was five times the sum of its two loss reserves. One year earlier it was three and one-half times as large. The improvement in this ratio reflects two things: continuing strong earnings in the Fund and financially stronger credit unions. The two-thirds reduction in the Fund's contingent liabilities further strengthens this equity cushion.

Equally important is 1984's increase in Fund equity as a percent of total share deposits in all NCUSIF-insured credit unions. By the end of fiscal year 1984 this figure had reached .313%, the highest ratio since 1979. This increase continues a recovery in this ratio that started in 1982.

The 1% deposit the Fund will receive from all NCUSIF-insured credit unions in January 1985 will increase the Fund's equity by $780 million. This will increase fund equity as a percentage of total share deposits to almost 1.3%. This is the new "normal operating level" for the Fund established by the NCUA board. This deposit will almost quadruple the Fund's equity. As shown in the chart below the deposit will also boost the Fund's equity/shares ratio well above that of the other two federal deposit insurers, the FDIC and the FSLIC.

The 1% deposit will increase Fund equity as a percentage of total share deposits to almost 1.3%. This is the new "normal operating level" for the Insurance Fund.

The Three Federal Deposit Insurers' Insurance Fund Reserves (Equity) as a Percentage of Total Deposits/Shares in the Depositories Insured by that Insurer



NCUA NEWS

NATIONAL CREDIT UNION ADMINISTRATION 1776 G ST, NW, WASHINGTON, DC 20456

FOR IMMEDIATE RELEASE:
FEBRUARY 7, 1985

FOR MORE INFORMATION CALL NCUA
PUBLIC INFORMATION (202) 357-1050

NCUSIF IS THE STRONGEST FEDERAL DEPOSIT INSURANCE FUND

WASHINGTON, D.C. — Today, the National Credit Union Share Insurance Fund (NCUSIF) is the strongest federal fund that insures consumer savings. Through a revolutionary plan by which credit unions agreed to capitalize the Fund, the NCUSIF today has about $1.1 billion in equity from the more than 15,000 credit unions it insures. "This plan ushers in what should be a golden era for federally insured credit unions," said NCUA Board Chairman Edgar F. Callahan.

The background on the capitalization plan, the stepped up supervisory measures taken by the agency to reduce expenses to the fund, and the commitment to meet the highest accounting and disclosure standards are highlighted in the Annual Report of the NCUSIF, released today. The report covers activities of the NCUSIF during the 1984 fiscal year.

Approved by Congress last July, the capitalization plan called on credit unions to place and maintain with the NCUSIF a refundable deposit equal to 1% of their insured shares. The deposit payment was due Jan. 21, 1985. Because of the legislative achievement by credit unions and the regulatory approach taken to implement it, the NCUSIF now contains some very advantageous structural improvements:

* The capitalization plan, which quadrupled the Fund's equity, has also raised the NCUSIF from the least well reserved of the federal deposit insurance funds to the best reserved. Every $100 of savings at federally insured credit unions is now backed by $1.24 in insurance, up from 31 cents at yearend 1984. The comparable figures for the Federal Deposit Insurance Corp. (FDIC) and Federal Savings and Loan Insurance Corp. (FSLIC), estimated by NCUA and based on their total deposits, are 94 cents per $100 and 77 cents per $100, respectively.

* Due to this unique funding structure, costly premiums almost certainly will be a funding method of the past and NCUSIF growth will automatically parallel credit union growth.

* Since their deposit is an earning asset whose dividend is determined by the NCUSIF's performance and payouts each year, NCUSIF-insured credit unions will have a direct financial stake in the operation of their fund.

The NCUSIF also differs from other federal deposit insurance funds in its accounting methods. It is the only fund to adhere to Generally Accepted Accounting Principles (GAAP) and the only fund to receive an unqualified, or "clean" opinion on its 1984 financial statements by an independent auditor, the Big-Eight CPA firm of Ernst & Whinney.

"We are going into a new era, a new way of insuring credit unions, but based on a system that an external audit says is in very, very good shape," said Chairman Callahan. "Ernst & Whinney's clean opinion on the fiscal year 1984 financial statements reflects the NCUA staff's hard work to make the Fund's financial reporting second to none. We believe that our full and fair disclosure should be no less than what we expect insured credit unions to give to their members."

-more-

The report details supervisory actions taken by the agency to handle problem credit unions sooner and more efficiently, thus reducing total losses to the NCUSIF. It relates actual cases of resource sharing, where people from within the credit union movement go in and shore up problem credit unions. It also addresses methods of handling mergers, liquidations and financial assistance to problem credit unions which are all aimed at reducing the NCUSIF's expenses.

"We intend to redouble our efforts to continue the NCUSIF's operational improvements. In 1984, administrative expenses rose just 1%, while insurance losses declined 49% compared to 1983 figures. No special premiums were assessed during 1984. Despite the resulting $4.3 million drop in total premium income, the NCUSIF earned $50 million, only $7 million less than in 1983," Chairman Callahan pointed out.

The following statistics, which are discussed fully in the report, underscore the success of the NCUSIF in 1984:

* Merged credit unions declined 9% during 1984 to 642 from 706 the previous year.

* Involuntary credit union liquidations fell dramatically, down to 38 in 1984 from 1983's 50 cases and a 1981 peak of 251.

* The number of problem credit unions also was reduced. Those credit unions most in need of supervision (rated Early Warning System codes 4 and 5) dropped to 872 from 1124 in fiscal 1984, a 22% decline.

Copies of the annual financial report of the National Credit Union Share Insurance Fund are being mailed to all federally insured credit unions. Extra copies are available from the NCUA Office of Public Information (202) 357-1050.

The NCUA is an independent federal financial regulatory agency responsible for supervising, chartering and insuring the nation's 11,000 federal credit unions. In addition, the Agency insures member savings at 5,000 state chartered credit unions.

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NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

February 7, 1985

TO THE BOARD OF DIRECTORS OF THE FEDERALLY INSURED CREDIT UNION ADDRESSED:

Congratulations on a truly remarkable achievement — the capitalization of the NCUA Share Insurance Fund. Thanks to the overwhelming support of the credit union movement, the NCUSIF is now the "Arnold Schwarzenneger of savings insurers," to quote one newspaper account.

The story of this incredible accomplishment is detailed in the enclosed 1984 Annual Report of the NCUSIF. I hope you will take the time to read it and make it available to your members. You'll enjoy recalling how your Fund started with zero dollars in 1971. Unlike the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, it received no start up capital from the government. It was built strictly from premiums and investment income. As the credit union movement prospered, share growth outstripped the growth of equity in the Fund. As a result, at the beginning of 1984, you had the least reserved Fund. One year later, you have the strongest, best reserved Fund. And Congress didn't twist your arm. You asked for a better way to build your Fund, and you got it!

Look at the facts:

—Thanks to your 1% deposit, the NCUSIF's equity has quadrupled to $1.1 billion.

—The NCUSIF's ratio of equity to insured shares is 1.24%, up from .31% at yearend 1984. The comparable ratios for FDIC and FSLIC, estimated by NCUA and based on their total deposits, are .94% and .77% respectively.

—Capitalization costs you less. It's cheaper because you don't have to expense a premium. It's a dividend earning deposit. In effect, you now have an investment in your Fund as opposed to your local bank or S&L. And it's withdrawable if you decide against federal insurance.

Today, the NCUSIF is a top-notch, well managed Fund. It received an unqualified, or "clean" opinion on its 1984 statements from a Big Eight accounting firm. No other federal deposit insurance fund can make that claim.

But to keep your fund in the strong, enviable position it's in today, you'll have to monitor it. Watch what we spend to operate the Fund, keep an eye on merger and liquidation expenses, and ask if you're getting a market rate dividend on your deposit. There are several ways to do this, including reviewing the monthly Fund report, which will be presented to the NCUA Board and reported in the NCUA News; the annual external audit of the Fund; and the annual report to the Congress. Additionally, the Fund's monthly balance sheet is posted and is available on request. Ahd use the toll-free regional hotlines to get fast answers about your Fund.

Finally, now that you have the strongest, best reserved Fund, spread the good news! You have a right to call your Fund the "Arnold Schwarzenneger of savings insurers." I've enclosed the American Banker newspaper article from which that quote comes. Please use the attached newsclippings and press release to help tell the NCUSIF story - put them in your newsletters or in your lobbies. Remember that insurance is a confidence builder — tell your members and potential members just how strong your Fund is!

Sincerely,

E.F. Callahan

E.F. CALLAHAN
Chairman

American Banker
The Daily Financial Services Newspaper
Monday, February 4, 1985

NCUA Checks In

The National Credit Union Administration boasts that it now has "the strongest federal deposit insurance fund" in town. It may also have the strongest mailmen, since they recently delivered as many as 700 pieces of mail each day to the agency containing checks from credit unions as part of a special deposit to the insurance fund.

Congress last July approved a plan to bolster the NCUA's insurance fund by requiring credit unions to place and maintain a refundable deposit equal to 1% of their insured shares.

These deposits were due by Jan. 21. And according to an NCUA spokeswoman, more than 97% of the nation's more than 15,000 federally insured credit unions met the deadline. Checks ranged in size from $6.32 from the recently chartered Viking EFCU, Santa Clara, Calif., to $13.3 million, deposited by the big Navy Federal CU.

Redinger

NCUA staffers reportedly worked long and hard in the final days of the campaign to process the checks and the forms that were due. According to the spokeswoman, even though the NCUA office building technically was closed for Inauguration Day, staffers worked in the lobby accepting check deliveries from special couriers. "The only light came from the elevators when the doors opened," she said, adding that this also was the day of extreme cold here that resulted in cancellation of the inaugural parade.

When all was said, done, and delivered on Jan. 21, the NCUA received $780 million from credit unions in additional money for the insurance fund. That quadrupled the ratio of equity to insured savings from 0.31% at yearend 1984 to 1.24%.

To back up its new claim as the Arnold Schwarzenegger of savings insurers, the NCUA says the comparable ratios for the FDIC and the FSLIC are 0.94% and 0.77%, respectively.

Those few credit unions that did not meet the Jan. 21 deadline will be charged for the lost income on the deposit, and some may face fines, according to the agency.

6B · WEDNESDAY, JANUARY 16, 1985 · USA TODAY

MONEYTALK

A QUICK READ ON YOUR PERSONAL FINANCES

Credit union insurance fund to grow

The 40 million members of federally insured credit unions can sleep a little sounder. By Monday, each of the 15,225 credit unions insured by the National Credit Union Share Insurance Fund are to have placed 1% of their insured deposits with the fund. Result: The fund will grow from about $385 million to $1.3 billion, and thus will be better able to handle credit union failures. The ratio of fund reserves to insured deposits will grow to about 1.3% — stronger than either the Federal Deposit Insurance Corp. or the Federal Savings and Loan Insurance Corp., which insure bank and S&L deposits, respectively. Congress mandated the recapitalization of the credit union fund because credit union deposits have grown much faster than the insurance fund in recent years. Rather than charge credit unions a higher insurance premium that would have to be passed on to depositors, the recapitalization plan allows them to carry the 1% deposit as an asset. But the plan is somewhat controversial: Unlike insurance premiums, the 1% deposit can be withdrawn by a credit union should it choose to shift to private insurance.

Mr. **PANETTA**. Thank you very much for your testimony. I appreciate your taking the time to come and comment on this legislation.

It is my understanding that between 1974 and 1975 when the Food Stamp Program first went into effect, that credit unions were involved at that time. Are you aware of that?

Mr. **RODRIGUEZ**. No, I was not.

Mr. **PANETTA**. Evidently there was a strict interpretation of a ruling that occurred sometime in 1978 by the USDA, which interpreted that only banks would be able to redeem coupons, and credit unions would be restricted from participation in the Food Stamp Program. One of the questions I had was whether credit unions in that interim were affected in terms of losing any members as a result of not being able to redeem food stamps. Do you know the answer to that question?

Mr. **RODRIGUEZ**. Yes; we have had a loss of about, I would say, 30 to 40 percent of our membership because of the burden imposed on these members. They have to travel to different places to deposit their money. They have support for our credit union, and they want to deposit their cash and handle all their needs in our credit union, but at the same time they have to travel sometimes some distance away from the credit union or their businesses in order to deposit these food coupons. We have more a personalized service than the financial institutions, the banks principally. The members have to go to these places and they have to wait in long lines and, on top of that, all of the burdens imposed on the way the tellers and the officers handle their transactions.

Mr. **PANETTA**. Let me ask you, we have concerns and tried to address the issue in H.R. 5151 last year, with regard to banks charging fees for the handling of food stamps. We thus included a provision to prevent banks from charging fees assuming that merchants were handling coupons in the appropriate fashion. Would Metro Merchants charge fees or financial services for the handling of food stamps?

Mr. **RODRIGUEZ**. No, we don't. Currently we don't charge anything on our share draft accounts. Servicing our members with this program, we will not impose any type of service charges because mainly we consider the coupons could be considered as cash, so there is no reason for us to impose any fees at all to them. That is the crucial question among retailers, because these banks keep increasing the fees as time goes by, and it makes it impossible for them. They try to restrict the retailers as much as possible.

Mr. **GARCIA**. If I may, Mr. Chairman, I would hope that Mr. Rodriguez would repeat a very quick story he told us at lunch about the banks. I would suggest you do.

Mr. **RODRIGUEZ**. As I mentioned in my statement, the main thing is discouraging the retailers to open these accounts in these financial institutions. In one case in particular we know of a person who opened an account in a bank which had little accounts that had to do with the food stamp thing, deposits. What the bank did after opening the account—they of course had to open the account, they had no other choice—after a period of 6 months they made a cost analysis on his account for one particular month and they found that they lost $290 in terms of the costs involved in processing the deposits and the return that they were getting on the using of these funds, and the total loss—which was $290—was charged to the account.

Obviously, when he received the statement and he saw this charge, he inquired, and they told him that they're losing money on his account. Eventually he closed his account and went some other place. That's basically the story, they succeeded in discouraging him in continuing his account at that bank.

Mr. **Biaggi**. If I may, Mr. Chairman, I think it's important to understand the milieu in which these bodegas and superettes function and the nature of the individuals. For the most part many—of course, obviously all of them speak Spanish, and some of them speak English, but some with difficulty. Then you're talking about the psychological effect that occurs when these individuals come out of these small bodegas and go into a large financial institution. They are psychologically intimidated, and there is a question of long periods of time in which they must absent themselves from their places of business. Generally it is the owner, the male owner who leaves his wife in charge until he gets back.

As a contrast, Mr. Rodriguez has a more personalized relationship, a comfortable relationship, and that relationship has been responsible to a large extent for the development of these economic opportunities for individuals to go out into the field and develop businesses. Many of these individuals were the recipients of many of the Federal programs that are in existence. They are now proprietors. They pay taxes. They are contributors rather than drainers from the Federal coffers. It's important to understand that whole environmental situation in a deliberation of legislation of this kind.

Mr. **Panetta**. Let me ask you, Mr. Rodriguez, to comment on objections expressed by the administration with respect to allowing credit unions to redeem food stamps. They opposed the proposal on three grounds. One was that they had received no complaints from grocers that were lacking access to financial institutions; second, that there were simply too many credit unions to monitor. I think there are approximately 19,000 that they would have to monitor. Although my sense is that not all 19,000 are going to participate, nevertheless that was the second objection, that there are too many to monitor. And, third, that these are basically cooperatives as opposed to the kind of financial institution one envisions when you talk about a bank or a savings and loan, and there might be some conflict of interest between the membership of the credit union and the people who would be served.

I would appreciate it if you could comment on all three of these areas.

Mr. **Rodriguez**. OK. On the first question, in terms of retailers' complaints, I do not know where they get their information. Unfortunately, we did not have time because of the short notice of the hearing to compile sufficient information, specifically from all our members. Of course, we have 362 members and we selected a group of members that are most actively involved in the credit union, and there were complaints from all of them. In fact, they have been after us for about 3 or 4 years, after this issue. It's just that it was difficult for us to approach the proper Government agencies in order to get the help necessary. If you go into the New York City area, specifically the South Bronx or Bronx County you will find plenty of complaints.

Mr. PANETTA. Have you checked with the National Credit Union Association to see whether there are complaints from other urban centers?

Mr. RODRIGUEZ. No; I don't have the specific information.

Mr. PANETTA. All right.

Mr. RODRIGUEZ. On the second issue——

Mr. PANETTA. The second one was monitoring.

Mr. RODRIGUEZ. Yes; the monitoring of the 19,000 or so Federal credit unions, I doubt very much that all 19,000 Federal credit unions will join in the program and participate and offer this service to their members. I think that those members, those credit unions that are located within low-income and moderate-income areas in big cities are the ones that will participate in this program, in order to benefit not only the retailers but the consumers as well.

The third issue, if you could repeat?

Mr. PANETTA. The third issue is the fact that a credit union is a cooperative institution made up of people within a community, and that there might be conflicts between people that participate in the credit union. I'm just trying to paraphrase their basic opposition on that basis.

Mr. RODRIGUEZ. Basically the charter provides for a common bond, a common bond for the specific credit union. In our case, we work within our common bond, which is the retail grocers and members of the Metropolitan Spanish Merchants Association. You will find that most of the Bronx grocers belong to this association, so we fall within the field.

Second of all, I think that banks would be more than happy to give us all these accounts.

Mr. PANETTA. All right. I understand—and maybe after you have testified—that Mr. William Donovan, who is with the National Association of Credit Unions, I understand that there is a statement that they would like to submit. Maybe we could ask them those particular questions at that point.

Mr. Emerson.

Mr. EMERSON. Mr. Chairman, I ask unanimous consent that Mr. Donovan's statement be received and included as a part of the record.

Mr. PANETTA. Without objection.

[The prepared statement of Mr. Donovan appears at the conclusion of the hearing.]

Mr. EMERSON. Thank you, Mr. Chairman.

Credit unions, Mr. Rodriguez, such as yours, normally operate with a specific membership. How many credit unions have retail food stores as members? Do you know?

Mr. RODRIGUEZ. I don't have the specific numbers but I know——

Mr. EMERSON. Is it a large number or a small number?

Mr. RODRIGUEZ. It is, I think, 236. I'm not too sure about the total amount of the credit unions that serve retailers, but there are within the United States approximately 236 or so—it's not a specific amount—of association, trade association credit unions.

Mr. **Emerson**. Do you think all of those would want to be able to redeem food stamps?

Mr. **Rodriguez**. I would say if their members are in the retail grocery business, I think they would, because in talking specifically about Hispanics, they are more attracted to the credit union movement than going to a commercial savings bank.

Mr. **Emerson**. Banks make use of the Federal Reserve banks to receive credit for the food stamps redeemed. Can credit unions also do this?

Mr. **Rodriguez**. Excuse me?

Mr. **Emerson**. Banks make use of the Federal Reserve banks to receive credit for the food stamps that are redeemed. Under the law, can credit unions also do this?

Mr. **Rodriguez**. Yes; we could.

Mr. **Emerson**. OK. Thank you.

Mr. **Garcia**. If I may, Mr. Chairman——

Mr. **Panetta**. Mr. Garcia.

Mr. **Garcia**. I think the importance, one point that I tried to stress, and I think my colleague as well, just as a "for instance," in my congressional district alone within the last 3 years I would say it's easy to say the figure is approximately 10 to 15 branches, bank branches, have closed. That's just in one congressional district. Now I'm sure if you go into some of the inner cities of Chicago, Los Angeles, and other parts of the country, you will see this same phenomenon.

That's why it becomes even more important in terms of the local merchant, because most of the merchants who we are talking about are inner-city merchants. These are not suburban supermarkets. These are small grocers working within these specific geographic areas, and it's for that reason that when I mention to you eight words take care of the problem—and I understand that you are going to be incorporating legislation, but H.R. 968, the eight key words are by inserting "or insured under the Federal Credit Union Act."

As I said, and I appreciate very much that you have consented to allow me to place this in the record, Mr. Chairman, but we in terms of that, in terms of our feelings about it, whether it's H.R. 968 or whether it is included in the subcommittee's overall print, we have no problem. It's a serious—we have no problem in terms of pride of authorship—but it's a serious problem for those of us who represent the inner cities, to get this in.

Mr. **Panetta**. Bill, go ahead.

Mr. **Emerson**. Bob, do you think we should limit credit unions redeeming food stamps to those with food merchants as members, or is the demand to open up to all credit unions?

Mr. **Garcia**. Just let me say, I don't think that most credit unions are going to play a role in food stamps. I think that retailers, that these people for the most part will continue in these small, two- or three-block credit unions—you know, the areas that they function out of in districts like mine. Therefore, my personal feeling about it is that I just don't see all credit unions getting involved in this.

I think this is a very unique case, and I just wish that Congressman Biaggi and I could just have you see the operation. I mean, we can talk here as legislators but if you see the operation, see the function, I mean in 5 minutes you would have the whole scene and it would explain—I think that's fair, isn't it, Mario?—

Mr. BIAGGI. Sure. Absolutely.

Mr. GARCIA. You could see exactly what it is that this credit union is doing. I watched it. It is the district that I was born and raised in and I live in, and I must tell you that these people are not professionals. There are people here who didn't have $100 10 years ago, who are today merchants. They were on welfare before, and now one or two of them have two or three stores. I mean, it's a fantastic story about enterprise in America's inner city. Some of these people don't even speak English, and yet they are managing and doing very well. Their credit union to them is a blessing because they can bring everything in, drop it there, have it all taken care of without having to go to five different branches.

Mr. PANETTA. Let me ask you, Bob—you are on the Banking, Finance and Urban Affairs Committee.

Mr. GARCIA. Yes.

Mr. PANETTA. What we're talking about in this instance of credit union redemption is a form of "lifeline services." Do you agree that this is a basic necessity for low-income individuals?

Mr. GARCIA. The answer to your question is yes, and if we can incorporate, obviously, Mr. Chairman, through the process of the Banking Committee, obviously, but we're taking—both Congressman Biaggi and I are trying our best to get the bill passed. My sense of where we are right now is that in terms of what they're trying to do over in the Banking Committee and what we're trying to do here, I think pretty much they are related.

Mr. PANETTA. Well, obviously, if we decided to move on this issue, I would like to assure proper connection with the appropriate jurisdictions. We did that on the bank fee issue last time.

Mr. GARCIA. Right.

Mr. PANETTA. And we agreed with the members of that committee that if we were going to address the issue, we would acknowledge their right to have joint jurisdiction of it.

Mr. GARCIA. Right.

Mr. PANETTA. So we'll work that out. The real issue is how to deal with the problem, and that we will try to do.

Mr. GARCIA. Yes.

Mr. PANETTA. Bill, did you have something?

Mr. EMERSON. Just one observation: I understand that perhaps the administration's objection to including credit unions in redeeming food stamps has to do with the fact that there are approximately 19,000 credit unions in the country, and that they would have to have some liaison with all 19,000 credit unions, whereas there are probably only really 236 out of the 19,000 that really are concerned with what you're telling us here today. Maybe if we limited it to those credit unions who have food merchants as members, that might cure the administration's objections, if indeed their objection is relevant.

Mr. BIAGGI. That's right. Sure.

Mr. EMERSON. Just a thought.

Mr. PANETTA. You can be assured that we will look at the issue, and we appreciate the testimony you have provided. Our goal, frankly, is to make sure that beneficiaries are getting the benefits of the Food Stamp Program, without clogging the line of communication. That's why we were concerned about the fees that banks were imposing, and that's why any way we can expedite that process helps, because if we disregard the merchants on this issue, then ultimately it is going to impact on the people who need it. That's the main concern. I don't want to hurt people who are already having severe problems surviving in our society.

Mr. Biaggi. I can assure the chairman that the beneficiaries here certainly are limited and very clear. There is no question about the beneficial effects of this proposal. There is no question. It is just so plain.

Now I can understand the administration being concerned with monitoring 19,000. We all are. We know what that requires. It's endless and frustrating. The suggestion made by my colleague, Mr. Emerson, would deal with the matter forthrightly and clearly, and it should vitiate the administration's opposition. Now you're talking about 236 groups. I'm sure many of those may not even want to make it available. For those who would like to, it is in keeping with Government's desire to help these people.

What has happened here is phenomenal. Here we have been able to transform individuals economically, without any cost to the Government aside from the food stamp cost, but really through this mechanism you have made people entrepreneurs. As my colleague, Mr. Garcia, said, some of them now own two or three shops. They are in business, and it has all been made possible because of the mechanism that has been in place, all within their own community.

Their relationship with Government obviously has to be a very constructive and positive one. I'm sure you understand it, Mr. Chairman, and so do you, Mr. Emerson. Obviously you grasp it. It comes down to those two issues. Beneficiaries? I don't think anyone has any doubt about the beneficial effect. The numbers in monitoring, Mr. Emerson's suggestion I think—I'm certain—would provide the solution to the problem.

Mr. Panetta. All right. You can rest assured we will look at this matter very closely and try to develop an approach.

Mr. Rodriguez.

Mr. Rodriguez. Yes, Mr. Chairman. I would like to add that if banks continue to increase services, financial service charges to these accounts—and, again, the retailers are not overly wealthy people, they have their small business, they want to survive, and this is their means of surviving—eventually these service charges will reach a level where they will say, "Well, I will not take any more coupons." Then it's up to the people who receive these coupons to say, "Where am I going to take my coupons? Who is going to accept them, in order to get my food?"

Mr. Panetta. Yes; that's a very real problem.

Mr. Garcia. Just in closing, part of that package was CUNA, the Credit Union National Association, and I would like their letter included in the record.

[The letter appears at the conclusion of the hearing.]

Mr. Panetta. Without objection, it will be included in the record. Again, thanks to all three of you for your testimony.

Mr. Donovan, would you like to come forward or do you feel the testimony has covered it?

Mr. DONOVAN. Mr. Chairman, we will be happy to cooperate with the staff, at the staff level. If you have any questions, we will be glad to respond.

Mr. PANETTA. All right. That's fine. Thank you. We'll let your testimony speak to that.

The next witnesses are Mr. Thomas Wenning, who is executive vice president and general counsel of the National Grocers Association, and Dent Temples, who is with Piggly-Wiggly Southern of Vidalia, GA.

Thank you very much for coming. We appreciate your taking the time to testify on the issue. Mr. Wenning, you may proceed.

STATEMENT OF THOMAS F. WENNING, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL, NATIONAL GROCERS ASSOCIATION

Mr. WENNING. Thank you, Mr. Chairman and Mr. Emerson. It's a pleasure to be back with you again this year as we start to talk about food stamp legislation and its process for fiscal year 1986. I will submit my complete statement for the record and try to summarize it, so that we may proceed.

Mr. PANETTA. Without objection, your statement will be made part of the record.

Mr. WENNING. I think that the previous witness covered a lot of the details and a lot of the concerns that we have focused on in the last year and a half on behalf of our members. Our members have long cooperated with the Government in its efforts to provide a variety of service to consumers in communities throughout the Nation. In assuming their responsibilities as retailers, they have always performed a voluntary service, with no special charges being imposed for their services, nor any special funds being reimbursed to our members by USDA for their efforts. Retail grocers have strongly supported this continuing effort because we recognize that the Food Stamp Program is an efficient and effective means to assist those in need.

I will primarily focus on two issues today before the subcommittee. The first has to do with that issue of banks continuing to assess handling fees for retailers to process their food stamps; and the draft proposal by the Department of Agriculture for a $50 license fee.

We recognize, Mr. Chairman, that all businesses generally have a need to recover all their own costs for going about their work. However, we strongly feel that on the question of food stamps the financial institution should seek to cooperate with retail grocers who participate in this program voluntarily, receiving no special fees, and who incur clear administrative costs in their involvement. This Federal program requires businesses and organizations throughout our Nation to lend a helping hand, and the banks should be no exception.

Last year you will recall Jim Stoll, who is a former chairman of the National Grocers Association, noted that this problem was occurring throughout the country, not only in Ohio, in the Cleveland area, where fees range from 2 to 5 cents per coupon, but also as far west as the Utah area, where fees range from 1 to 3 cents per coupon. I must stress that we continue to receive phone calls asking what the status is on this. Retailers still continue to be charged, and many of them have followed the course of H.R. 5151 from last year, asking if anything has been finally resolved on this issue.

Our earlier industry surveys revealed that 25 percent of the grocers were being charged bank fees. This ranged anywhere from 2 to 3 cents per coupon and, as we recalled before, the highs ranged up to 10 cents per coupon. This, we estimated based upon our earlier surveys that if a fee was imposed upon each food stamp, it could cost in the range of $60 million or more per year.

Mr. PANETTA. Is that the latest number you have on that?

Mr. WENNING. Pardon?

Mr. PANETTA. Is that the latest you have on that?

Mr. WENNING. Yes.

Mr. PANETTA. That would cover what period?

Mr. WENNING. That was just on the annual basis, based upon our last data.

NGA and other food retail associations met with USDA seeking to resolve this problem, and of course you know from our last year's experience that USDA does not share the interpretation and felt that it would be acceptable if they would just turn to other financial institutions. I think we soon learned that, in turning to other financial institutions, the practice continued to grow and spread so that the "free market" did not end up in a resolution of the problem

We see the appropriate remedy to this problem being the legislation that moved through the committee last year, which included the essential language, and that we would hope to be continued for the coming year. We are most grateful for your efforts last year in exhibiting the foresight and leadership to introduce the legislation and to ensure its passage in the House, and would hope that we would move it through the Congress this year.

Our second issue deals with the proposal having to do with the $50 license fee. We have made it clear that the Department has said that this is to cover their administrative costs. As we say in our statement, I think it's relatively clear that when you talk about having budget cuts on one hand and on the other hand imposing a user fee to recoup those costs, that you are really not doing—you are doing what they call "off budget" analysis, recouping $10 million off their budget but out of the budget of the Nation's retail.

We think that this fee will gradually, for all the programs that have followed in the past, namely, under the Perishable Agricultural Commodities Act where we started out with a $10 fee and this year it is up to $180 per company going to a maximum of $1,200 per year. We think the old axiom still applies that a tax by any other name is still a tax, no matter what you want to call it.

The last issue that I would like to deal with and I think we need to put to rest are a couple of what they would call administrative procedures. One has to do with their proposal to change the level of burden of proof the retailer must establish in appealing a violation.

We feel having to meet the requirement of likelihood of prevailing on the merits almost makes a defendant who has gone through the administrative process have to prove that he is going to win the case on his appeal. We think that is an extremely strong burden to have to meet.

The second one we are concerned with is their prohibition or their imposition of civil money penalties that would have to engage in those people who desire to sell their business. We are concerned that there are many legitimate business needs for people to sell their business, whether it is by inheritance, bankruptcy, or other provisions. The civil money penalty, we think, needs to be reviewed very carefully for any adverse effects that it might have upon retailers who participate in the program.

In conclusion, I want to reiterate NGA's position and its policy of working with the subcommittee and the Department in fostering an effective and efficient Food Stamp Program for the benefit of food stamp recipients to make this a meaningful and useful program in the future.

Thank you.

[The prepared statement of Mr. Wenning appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much, Mr. Wenning.

Mr. Temples.

STATEMENT OF DENT L. TEMPLES, JR., VICE PRESIDENT, PIGGLY WIGGLY SOUTHERN

Mr. TEMPLES. Mr. Chairman, I am Dent Temples from Vidalia, GA. I am associated with Piggly Wiggly Southern supermarkets. I appreciate the opportunity to be here today to speak on behalf of my company and the Food Marketing Institute, FMI.

My company is a privately owned corporation operating in central and south Georgia in both small towns and some of the larger cities. We operate 82 supermarkets under the name of Piggly Wiggly.

Mr. Chairman, I would like to summarize my comments, but I would appreciate that my entire statement become a matter of record.

Mr. PANETTA. Without objection, it will be made a part of the record.

Mr. TEMPLES. Thank you, sir.

In many areas, FMI and Piggly Wiggly Southern, my firm, agree with Mr. Wenning and the NGA on some of the comments. Last year, Mr. Chairman, FMI testified before you and the members of the subcommittee about a matter that has continued to plague us and, if not solved, could have a significant impact on the future of the Food Stamp Program. I am referring to bank service fees on the redemption of food stamps.

As you recall, with the cooperation of your staff and many of those involved, this provision was retained in the bill passed by the House of Representatives, but, unfortunately, the Senate never acted on it. The problem continues to persist.

Yesterday, in my firm, I picked up about 18—excuse me, Monday—18 to 20 account analyses and just looked through them for bank service charges and found only 2 or 3 that we were not currently being charged a bank service fee for the redemption of food stamps. These figures ran from a low of 1 cent per coupon up to a high of 5 cents per coupon. In some places, it was as much as 2 or 2.25 percent of the amount deposited in that local bank. We are currently bundling, encoding, and marking as per the instructions of the banks before deposit, in an effort to try to keep these fees down.

This continues to be a problem. We have been grateful to you, Mr. Chairman, and Mr. Emerson and other members of the subcommittee for understanding this problem. I don't mean to take time to go into the arguments of this case in a long way, but we would appreciate and I would like to submit for the record a copy of the testimony given by FMI last year concerning this problem and also ask you to please include this item in this year's bill with the same provisions you had in last year's bill.

Over the years, FMI has worked with Congress and the administration in exploring ways to improve the efficiency and the effectiveness of the Food Stamp Program. For example, the Food Stamp Amendments of 1982 gave the Secretary of Agriculture authority to test alternative systems of delivering food stamp benefits. As the legislation moved through Congress, FMI expressed the interest of its members in cooperating with USDA in such tests.

We did ask, however, that the costs of any such tests and transfer systems not be imposed upon the retail food stores participating in the Food Stamp Program. We felt then, as we continue to feel today, that automation and delivery equipment should not be an expense imposed on participating stores. With the help of this subcommittee, the Food Stamp Act now recognizes that costs will be considered as a part of the overhead of the Food Stamp Program and so borne by the Department of Agriculture.

Today, approximately 140 food retailers, USDA, the State of Pennsylvania, and Planning Research Corp. are participating in a pilot test in the area of Reading, PA with an electronic benefit transfer system of food stamp benefits.

On three occasions, our trade association, FMI, has had the opportunity to observe the tests and see some of the problems being encountered in the initial project. We remain optimistic that the problems can be resolved and continue to support the efforts of USDA and Congress to improve the efficiency and effectiveness of the food stamp delivery system.

As our industry moves further into computers and scanners, ATM machines, and point of sale devices, and many other items we ask that retailers continue to be included in the development of guidelines that the Department of Agriculture and Congress may consider for food stamp distribution and electronic transfer of program benefits. Good stamp transfer systems that would be required at the check out counters must be compatible with our existing check out systems. Also, we need to have room up there. At times, it gets a little crowded.

Mr. Chairman, let me comment briefly on other food stamp proposals that are being suggested for this year. As you are aware, we have had only a relatively short time to examine the administration's bill.

Our industry supports and has demonstrated our cooperation in efforts to reduce fraud, waste, and abuse in the Food Stamp Program. Therefore, it concerns us to learn that consideration is being given to charging each store a $50 annual fee to participate in the Food Stamp Program.

To be blunt, we consider it outrageous. While the amount of the individual store fee may not appear prohibitive, it fails to recognize the current retailers contributions to the program and clearly establishes a dangerous revenue precedent. When USDA is hit by another budget crunch, a partial solution would be to continue to increase the retailers fee. I am sure it has happened before, but I am not really sure of a Government fee that I have known to decrease over time or go away.

It is well known also and a matter of record that retailers operate on the slenderest of margins. A well run company today or an average company hopes to net at least 1 cent on every dollar of sales. Currently, in the current year, my firm is just slightly below 1 cent on every dollar. This means if your wife went into one of our stores and spent $100, we would make about $.90-plus cents on the transaction.

Already, we know that the overhead costs of servicing a food stamp customer exceeds that of a nonfood stamp customer. Transaction at the checkout counter does take more time. Incidentally, our checkers make from $.12 to $.15 per minute, and we have to be concerned about this. There are more steps than necessary in counting, checking, bundling, and stamping in the accounting practices of food stamps plus the cost of bank service fees.

We accept these costs because we support the public policy that gave rise to the Food Stamp Program. To add to these nonreimbursable costs strikes at the very concept of fairness. We ask you to disregard the concept of a fee.

The administration has offered three other changes in the running of the program which are aimed at store abuse. First, let me tell you how much store abuse we actually have and keep it in context. There are 230,000 authorized retail outlets for the Food Stamp Program. In 1984, 2 percent of these were investigated by USDA. Of all those stores, less than one-half of 1 percent were sent notices of adverse actions to be taken against them. As of February 27, 1985, a grand total of 125 cases were in the process of judicial review. This is a reduction of 17 percent from the 1982 figure. That is out of a total of 230,000 retail stores in the program.

In addition, we also question a provision which deals with judicial review of USDA disqualification for those accused of food stamp violations. The administration proposes to amend the law so that retailers which USDA finds have abused the program, can be prevented from redeeming food stamps during the district court trial or appeal period. It does this by changing the standard upon which the court may grant a stay of USDA's determination so that a stay may be granted only upon a strong showing that the applicant is likely to win his case or prevail on the merits of the case. This is a more difficult standard than the generally prevailing law concerning the grant of judicial stays to administrative decisions.

Why should a more stringent rule apply to appeals from food stamp disqualification than from any other type of administrative decisions? It seems reasonable to us that it should be neither more simple nor more difficult, but similar.

The administration has also included proposals to prevent retailers who have been disqualified in the program from selling their stores in essentially sham transactions by requiring that the seller pay a stiff money penalty for the remaining period of disqualification.

The difficulty in this proposal is that what it might do is they would discourage sham sales, but, by the same token, they would place heavy burdens on legitimate transfers.

I think this is poor public policy, since it would be wiser to encourage disqualified operators to sell stores to legitimate concerns that would operate the Food Stamp Program properly and thus benefit their communities and the program. To prohibit the acceptance and redemption of food stamps by a successor until the disqualified operator pays what could be a substantial fine hardly permits sales to legitimate businessmen. Rather, it makes a legitimate sale more difficult. A better solution might be to give USDA discretion to prevent readmittance into the program when the sale is obviously a sham.

Thank you very much as members of the subcommittee for allowing me to speak to you. I would be happy to respond to any questions which you might have.

[The prepared statement of Mr. Temples appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you both for your testimony. We appreciate it very much. I am very sympathetic with the positions that you have taken. Obviously, we made that position clear on H.R. 5151 with regard to fees charged by banks. It is my position and I think the position of the subcommittee that we would insert that provision again in whatever legislation we propose this year as well. There was general support for that position. We had, frankly, negotiated that out with the industry as well, so we had a pretty good consensus on it. It is my view that we ought to proceed with that.

On the $50 license fee, let me just comment. I am not inherently opposed to user fees, having served on the Budget Committee. There are indeed areas where I think user fees make some sense. However, this isn't one of them, mainly because my concern is the impact it has on people at the lowest end of the ladder. It is a little bit like charging user fees for Veterans loans and FHA loans which I also don't think makes a great deal of sense.

The problem here is that most grocers are doing this, frankly. It is costly and it does take time, and I know that, but they do do it. We appreciate their doing it, because it is the only way this system works. I don't think we ought to penalize them in that process for the work that they are doing, because I think then ultimately they can say, we are not going to do this anymore, if it reaches that kind of point. That is not what I am trying to do.

You have to maintain that link to the people who are the beneficiaries, and you are the vital link in that process. Without you, the program doesn't work. So, for that reason, I have some real concerns about that and for that reason, frankly, we didn't recommend that to the Budget Committee when we made our proposal.

So, I think, generally, I share the concerns that you have raised. Hopefully, the subcommittee will as well, and we can proceed to put together a bill that not only will deal with the beneficiaries' needs but also with those of you that make this program work in the process.

Bill.

Mr. **Emerson**. Thank you, Mr. Chairman.

I had a number of questions that I wanted to ask, and you have covered it all so well in your testimony that I don't have to ask the questions. I will associate myself with the remarks of the chairman.

I do have one little question here relating to the testimony that preceded yours here. The credit union folks testified in support of a bill to allow credit unions to redeem food stamps from retail food stores. Do you have any thoughts on this proposal?

Mr. **Wenning**. I think the proposal has some merit. In their particular case, I think they have shown a particular need. I think you have also discussed the dilemma of how widespread or how available it would be. I am not prepared to address how many of our members participate in credit unions that would make available the service, but it certainly seems to follow along what we heard as we were going through the issue on the bank charges as being told that there were other alternatives to retailers out there in the market. As we went out there and people changed from one banking institution to another, they soon found that 6 months later they were being hit with another fee from another institution.

So, the options in the financial institutions of the banking institutions certainly have not proved to be there in the continuing sense. I would suspect that, from a policy point of view, we would support the more flexibility of that.

Mr. **Emerson**. Thank you both very much.

Mr. **Panetta**. Thank you. Thank you again for your testimony. We look forward to working with you on the legislation we are able to develop.

Mr. **Wenning**. Any other information that we can provide you, we would be glad to do so, Mr. Chairman.

Mr. **Panetta**. Thank you, again.

The last witnesses are Mr. Daniel Hudgins who is director of the department of social services from Durham, NC and Robert Maxwell who is a member of the board of directors of the American Association of Retired Persons. If both of you will come forward.

Gentlemen, welcome to the subcommittee. You are familiar individuals that have made your comments known on various programs that impact on your various constituencies. So, we appreciate your coming here.

Mr. Hudgins, you may proceed as you wish.

STATEMENT OF DANIEL C. HUDGINS, DIRECTOR, DURHAM COUNTY DEPARTMENT OF SOCIAL SERVICES

Mr. **Hudgins**. Thank you, Mr. Chairman and Mr. Emerson.

I appreciate the opportunity to appear before you today to discuss both administrative and policy issues related to Federal food assistance programs. For the purpose of this presentation, I will limit my comments primarily to the Temporary Emergency Food Assistance Program, [TEFAP].

The county agency that I direct is responsible for the administration of both the Food Stamp Program and the distribution of TEFAP commodities. In North Carolina, there are 100 counties, and there is a distribution program for these commodities in each of those counties with 88 of those being administered by county social service department.

The first issue that I would like to address is that of the need to continue the TEFAP Program. To do that, I would like to deal with some North Carolina statistics which I believe are representative of a national trend. The first of these has to do with poverty and as a baseline, I am using the year 1981 and comparing it against 1984.

In 1981, figures from the U.S. Department of Census indicated that just over 900,000 or approximately 15.5 percent of North Carolina citizens had incomes that placed them below the official poverty level. By 1984, that figure had grown to 1,282,000 or 21.5 percent of the State's population. This represented a 42-percent increase in poverty in 3 years. During the same period of time, the number of individuals receiving food stamps dropped from 597,585 to 518,759 or a 13.1 percent drop.

Since the official poverty level is generally accepted as the upper limit for food stamp participation, we can see that in 1981, the State was reaching 66 percent of the people whose income was below poverty with food stamp benefits. By 1984, this figure had dropped to 40 percent. Since a family whose income falls below the poverty level is assumed not to have sufficient income to meet all their basic needs, one could easily conclude that the 60 percent of families in North Carolina whose income is below the poverty level and who are not participating in the Food Stamp Program—do not receive food stamp benefits—are at nutritional risk if not, in fact, nutritionally deprived.

In 1982, North Carolina counties began, on a voluntary basis, participating in what was, at the time, described as a temporary effort to reduce the supplies of stored dairy products, specifically cheese and butter. All counties, as I indicated earlier, are currently participating in the program; and in 1984, over 400,000 low-income individuals received approximately 16 million pounds of commodities valued at $19,672,551.

From the above statistical information, one can conclude that there is a need for some additional nutritional supplement to low-income families. I am not advocating that the commodity program be accepted as an adequate supplement to the existing Food Stamp Program or that it be made a permanent program. However, short of Congress restoring food stamp benefit reductions and expanding the program to reach a larger number of eligibles, the commodity program does appear to be meeting a portion if only a small portion, of the unmet nutritional needs of low-income citizens.

If Congress does decide to continue the program beyond September 30, administrative funds will be needed to operate this program on an ongoing basis. When counties in North Carolina first became involved in the program, it was promoted as a temporary program with substantial flexibility in administration, and agencies were encouraged to use volunteers throughout the entire distribution process.

Since that time, we have seen stricter accountability requirements, and a number of counties in our State have been billed for losses and spoilage of commodities. Several counties have actually paid the Department of Agriculture for small amounts of commodities that were lost, most likely through error on the part of volunteers who overissued to certain eligible households.

Word of this type of accountability has had a cooling effect on the willingness of counties to distribute on a frequent basis. Currently, 60 percent of the counties are distributing on a quarterly basis, 30 percent on a bimonthly basis, and only 10 percent distribute commodities monthly. Clearly, the most effective mechanism for providing nutritional aid to families and individuals is to distribute monthly, since most low-income families cannot store dairy products for an extended period of time.

Since the increased accountability and the 100-percent audits that have been conducted throughout the State by both the Inspector General's office and the North Carolina Department of Agriculture, counties have found themselves in a catch-22 situation. If they attempt to comply with all the accountability requirements for commodities, they cannot begin to distribute for the 5-percent administrative money. On the other hand, if they continue to use volunteers, they can expect there will be some shortages even though there has been no evidence that there has been any major mismanagement on the part of agencies or diversion of commodities on a large scale basis. There have been instances where volunteers have carried small quantities of commodities; but where that has been brought to the attention of the agency, it has been dealt with.

County agencies are putting more and more of their own staff into the distribution process and reducing the number of volunteers. A recent survey conducted by our statewide association of county social services directors indicated that 77 percent of the counties are dissatisfied with regulations concerning accountability, audits, and possible chargebacks. I might point out that this is the program that gets the most criticism in our State now, even more so than the Federal categorical programs.

On the other hand, there is a strong commitment to this program such that only 27 percent of the counties surveyed indicated they would even consider discontinuing totally the distribution of these commodities if the new regulations were not relaxed. The problem has been that a number of counties are now reducing the frequency of distributions and, therefore, the availability of commodities to eligible low-income families. As I pointed out, only 10 percent do distribute now on a monthly basis.

I have provided your subcommittee staff with some examples of the types of problems that counties have experienced in the distribution process, but I would like to share with you one specific example which I think illustrates the dilemma that counties find themselves in with respect to continuing to participate in this program. This situation occurred in a rural county in North Carolina with a high unemployment rate and where over 20 percent of their population has income below the poverty level. I am reading to you specifically from a letter I received from that director. This is quoting directly:

> As you know, initially (we began February 1982) we could, at local discretion, certify only food stamp households, distribute the amounts we wanted up to the maximum, and simply account for the amount distributed. If we had any left, we arranged for a transfer to the schools. Since we had the food stamp households computerized, it was a very simple process to have the computer print amounts, and all the clients had to do was pick it up and sign the printout. Even with a total volunteer staff (only one DSS employee), we had no losses.
>
> With each distribution it became more complex. We now have specific contracts (for a while it seemed like the contracts and the application forms changed quarterly).
>
> Then a year or so ago, we were told that we must distribute to all eligibles, we must take applications for income eligibles, not just food stamps. Keep costs down, use volunteers, keep accurate records, et cetera; these were the things we were hearing.
>
> At this point, we began having shortages. The first time it was 953 pounds out of 17,550 pounds. We thought the problem was a box of forms being accidentally disposed of in the trash. We were instructed to re-create the forms by contacting all the people we had records on from previous distributions for whom we did not have a form. This took days. We sent out 467 letters, we received 334 replies, and we located 788 pounds. This seemed to confirm the theory; we documented this, and we were told not to let it happen again.
>
> The next two distributions went without serious incident. Then, in August 1984, we had another loss of 475 pounds out of a total distribution of 33,110 pounds. A demand was made for payment in the amount of $526.28. This, even though it was a totally volunteer staff. We took 904 applications, in addition to the 795 food stamp households. The bulk were served in the first 2 hours of operation.
>
> There was no feeling that there were thefts going on or any profits being made as a result of these losses. Much was attributed to volunteers (mostly retired and disabled individuals) making errors in the rush. We considered pre-certification for all the non-food stamp households, but that meant two trips to town (rural county, with limited public transportation). No staff to certify as all staff are already at capacity. No place to put volunteers, could they be located, in a building with two to four people in offices.
>
> We paid the money, recognizing the reimbursement for administrative costs would be withheld.
>
> In the last two distributions, we had a large number of staff at the distribution site and had a volunteer working with a staff person. Much training has also gone on to prevent the losses. For the last two distributions, we lost 226 pounds out of a total distribution of 48,468 pounds.

I might point out that that is less than one-half of 1 percent.

I would offer this as an example of the situation that has occurred in our own State; and I would point out that it is not an isolated situation as I know of at least six additional counties that had either made payments for lost commodities or had been billed.

In closing, I would just say that I encourage your subcommittee to consider the nutritional plight of low income individuals and to consider restoring some of the benefit losses to the most effective of the nutrition programs, food stamps. Short of this action, I encourage the subcommittee to continue the TEFAP program and to appropriate the necessary administrative funds to operate the program. Last, but not least, I would hope that you would direct the Secretary of the Department of Agriculture to minimize the reporting and accountability requirements in light of the nature of this program and the desire of distribution agencies to operate it as simply and effectively as we can at minimum costs to ourselves and the Federal Government.

I will be glad to answer questions, and I will be providing additional information to your staff on specific examples of problems related to audit exceptions in North Carolina.

Mr. PANETTA. Thank you, Mr. Hudgins.

Mr. Maxwell.

STATEMENT OF ROBERT MAXWELL, MEMBER, BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF RETIRED PERSONS, ACCOMPANIED BY JO REED AND BURTON FRETZ, EXECUTIVE DIRECTOR, NATIONAL SENIOR CITIZENS LAW CENTER

Mr. MAXWELL. Mr. Chairman, I am Robert Maxwell, a member of the board of directors of the American Association of Retired Persons, better known as AARP. On behalf of our 18 million members, I want to thank you for the opportunity to testify today regarding the Food Stamp Program and its role in dealing with the hunger needs of older Americans.

Mr. Chairman, the Food Stamp Program is just not reaching all of the older Americans that it should. For those older persons who are being served, the benefits appear to be inadequate.

AARP is here today to make some specific recommendations as to what should be done to help rectify this situation. I will briefly outline these recommendations at this time, but we have submitted a more detailed explanation that is incorporated in our longer statement that has been submitted for the record. In short, our proposals would:

One, strengthen the medical expense deduction by changing the threshold above which expenses can be deducted from $35 to 5 percent of gross income; permitting special, physician-prescribed diets to be an allowable medical expense for elderly and disabled persons; and providing a statutory basis for currently allowable medical expenses.

Two, make burial funds a separate, allowable resource up to $1,500.

Three, make SSI recipients categorically eligible for the Food Stamp Program.

Four, raise the liquid asset limits from $1,500 to $2,200 for nonelderly households and from $3,000 to $3,500 for elderly households.

Five, strengthen information notification procedures and outreach to potential older food stamp recipients by requiring the Social Security Administration [SSA] to assist all SSI and Social Security participants with Food Stamp Program information and with streamlined food stamp applications in SSA offices; and mandating State outreach to the elderly and disabled, potentially eligible food stamp recipients.

Six, facilitate the use of food stamps by elderly and disabled persons to purchase low-priced meals in restaurants.

Seven, adjust household definition so as not to penalize frail elderly food stamp recipients assisted by caretakers.

Let me explain the reasons for the association's concern. Studies indicate that while two-thirds of all persons eligible for food stamps participate in the program, only half of the eligible elderly participate. Lack of information and misinformation regarding eligibility for the Food Stamp Program seem to be the primary barriers to greater participation by older persons.

In addition, however, increased restrictions in some eligibility standards and failure to update others in line with inflation have worked to progressively limit the number of low-income older persons who qualify for assistance. The assets limitation, for instance, hasn't been increased since it was set in 1971.

The urgency of action to change this situation is underlined by recurrent reports of growing hunger across the Nation in recent years, including hunger among older persons. The Texas Senate Interim Committee on Hunger and Nutrition reported last year that there had been 513 deaths, primarily among elderly persons, in Texas due to malnutrition between 1979 and 1982. It noted that only 41 percent of Texans eligible for food stamps had received them.

Also, private sector survey respondents report that the demand for emergency food assistance has skyrocketed and that they were forced to turn away at least 20,000 requests for food each month due to lack of resources. The Texas study concluded that the Food Stamp Program has not kept pace with the growing need for food, and that the number of people who are legitimately in need of help and yet are refused, left out or kept off of the program, exceeds the number who abuse it. Similar conditions have been reported in New York, Chicago, and other cities around the country.

In the face of this problem, proposals have been made in recent years to tighten eligibility criteria still further. The association believes that such proposals threaten the health of the vulnerable, low income, older Americans and should be rejected.

It is for these reasons that AARP, together with a number of other national aging organizations and public interest groups, has endorsed the seven-point plan outlined earlier. We believe that these changes will enable the Food Stamp Program to reach more eligible older persons and to serve them better than is the case under current law. Our proposal should also open up eligibility to some older persons who ought to be receiving food stamp benefits but are prevented from participation by outdated or inappropriate restrictions.

Mr. Chairman, I understand that Congressman Roybal, chairman of the Select Committee on Aging, has decided to introduce legislation embodying these recommendations which have been endorsed by the Leadership Council on Aging as well. We hope you and other members of the subcommittee will consider them favorably for inclusion in the subcommittee's bill reauthorizing the Food Stamp Act.

The Food Stamp Program is very important to low income, older Americans. We look forward to working with you to see that it serves all eligible persons with the greatest possible effectiveness.

I want to thank you for letting us come over and talk with you today. We want to pledge to you any assistance that we can render. We appreciate the opportunity.

[The prepared statement of Mr. Maxwell appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you very much. Do either of your colleagues have any additional comments to make?

Mr. FRETZ. Thank you, Mr. Chairman, I don't. I am available to respond to any questions.

Mr. MAXWELL. I would like to say that Jo Reed from our staff is also accompanying us.

Mr. PANETTA. Well, the American Association of Retired Persons has a lot of work to do this year, so you have your work cut out for you.

Mr. MAXWELL. We sure do.

Mr. PANETTA. We are going to see a lot of you I am sure.

Let me first of all ask Mr. Hudgins, the operation of the TEFAP Program, how much of this is coming from the State and how much of this is coming from Washington that you are referring to in terms of the accountability?

Mr. HUDGINS. Prior to coming here, I tried to clarify that, Mr. Chairman, with folks in our State, social service office in the State department of agriculture. In fact, I have copies of some correspondence that I just received yesterday that I was not able to include in the testimony that I will share with your staff where the State has attempted to have some of the penalties, very small penalties of several hundred dollars, waived and the Atlanta office of the Department of Agriculture has overruled them and made them file a claim against the county. So, I have that written correspondence from our State department of agriculture supporting the local agency distribution in terms of no mismanagement and also attempt to waive those penalties.

So, it appears that whether it is coming from USDA in Washington or USDA in Atlanta, at least the decision is not being made at the State level by the State department of agriculture. It is made within the U.S. Department of Agriculture's own administrative structure to file a claim against the county distributing agency.

Mr. PANETTA. With respect to the specific qualifications and what have you, my understanding is that while some broad guidelines are provided to the State, the State agencies are those that have to implement specific requirements. Is that what is happening in your State, or are you finding that those directions are coming directly from Washington?

Mr. HUDGINS. It is my understanding from what I have seen and most of what we receive is really just a copy of the Federal policy reproduced for use at the local level. I don't believe that the State is putting any more restrictions in terms of reducing our administrative flexibility than they have. At least, that is what I am getting from our State social services and State agriculture department.

Mr. PANETTA. Your responsibility is to operate both food stamps and TEFAP?

Mr. HUDGINS. In 88 of the 100 counties, the county social service agency operates both. We certainly operate the Food Stamp Program in all the counties. In 12 counties, the commodity TEFAP program is being operated by an agency other than social services.

Mr. PANETTA. How do you see the two programs coming together? You obviously can see both in effect. What I am wondering is do you see the TEFAP Program serving a different clientele or, in fact, serving the same clientele when benefits run out?

Mr. HUDGINS. I think it is a little of both, but clearly there is a high percentage of our food stamp participants, about 80 percent in my own county, who also receive TEFAP commodities. In addition to that, in a county of about 100,000, we have about 3,000 people who are not food stamp recipients who participate in TEFAP. So, it is reaching the low-income population not currently being served by food stamps, and it is also supplementing those food stamp recipients.

If there is any evidence of the need, I guess it is the fact that on the days of distribution, we can count on several hundred people lined up by 6:30 or 7 in the morning to get those commodities.

Mr. PANETTA. How about the provision of the commodities themselves? Have you had difficulty? Has it been fairly consistent? Have you been able to rely on the days when you are getting those provisions?

Mr. HUDGINS. In our experience and from talking to other counties in our statewide survey, the Department of Agriculture at the State level I think has handled it very well. They give us a quarterly allocation of each commodity, each of the six that are distributed, and we can decide whether to do those through a monthly distribution, bimonthly, or a quarterly distribution.

Because of the quantity, most counties choose to do it only on a quarterly basis. It is not enough to fulfill the allocation on a monthly basis for all the eligibles in each county, so there really are not sufficient commodities available to the State for each county if they chose to go on a monthly basis which clearly would go further to meet the nutritional needs than doing it on a quarterly basis.

When we are told what our allocation is, there is never a problem in having them deliver it on time, in getting the quantity we have ordered.

Mr. PANETTA. The problem you have run into directly—incidentally, we are going to rely on the additional information you have provided because I do want to have the inspector general respond to that, because they refer to some gross situations, but obviously I wouldn't consider this in that same ballpark.

The problem is, how do you address the issue of billing for lost cheese or lost commodities? The Food Stamp Program itself has about a 5-percent tolerance level. I am wondering if the same thing ought to be applied in TEFAP.

Mr. HUDGINS. If we had that tolerance level, I don't think there would be any problem at all living within it with the exception of a rare situation where you may have spoilage due to an uncontrollable situation. A cooler may go out or something like that, an act of nature as I would see it. But that is one of the situations in which a county has been billed $8,000 for a cooler that they had inspected and was sure was OK. They put the commodities in and checked a few days later and it had kicked off and the cheese or the butter, in this case, had molded.

However, generally, and in terms of the distribution process, nobody has exceeded the 5-percent level that I am aware of in terms of losses.

Mr. PANETTA. If we cut off the administrative money tomorrow, the $50 million, as recommended by the administration, what happens in North Carolina?

Mr. HUDGINS. We didn't have it when we started the program, but we also had a great deal of flexibility when we started the program about how we operated. Also, we were not required to serve anything but food stamp recipients for which we had a computerized way of gathering information on.

I would guess there would be a number of counties which would drop out, because they couldn't financially afford to maintain the program on an ongoing basis. In some small rural areas, the ability to recruit, train, and retain qualified volunteers on a regular basis is very difficult. What you probably would find is that the counties with the best resources are probably better able to deal with some of the problems with continuing it, and those with the most need might choose to drop out of it. I think that is where we run into a problem. The greatest need may be missed with a voluntary program, and that is what you have.

Mr. PANETTA. Let me ask you on the administrative funding, have you any problem with the formula for the administrative funding?

Mr. HUDGINS. It hasn't been a problem in North Carolina. We have relied very heavily on volunteers. I think people believe that 5 percent does not adequately address the actual cost. We have a staff assigned who are not reported under the TEFAP reimbursement system, but we do it for the 5 percent. If we were able to continue to get that, because I think the need is recognized for the program to continue. The question is, will the program continue, and I am here to say that our association and the folks that I represent would urge you to do that, to reauthorize and to refund the administrative funds.

Mr. PANETTA. Thank you very much.

Mr. Maxwell, one of the problems we seem to be running into more and more are that the numbers of people who are qualified for the benefits simply aren't getting them. That has just become a bigger and bigger problem. It is particularly true in at least the areas we have gone to in subcommittee hearings among the elderly.

Mr. MAXWELL. Right.

Mr. PANETTA. What is the reason for that?

Mr. MAXWELL. I think it is a dual reason. One is that many of our elderly simply do not get exposed to the educational process that is necessary to bring them into a working knowledge of how to use and how to get their stamps. The second one is that there is, I think, a psychological feeling among some of our older people that this is the welfare or the dole. I think a great country like ours, who provides for its elderly, needy, and hungry, having a great system like food stamps, ought to be able to explain to those people, preferably with help from Social Security offices I think is where it should be coming from.

We have volunteer programs that help people with their food stamp applications and so forth, but it really is a problem of ignorance and perhaps fear of going up against a bureaucracy asking for their food stamps. I really believe that it is simply a matter of our sharing with these people enough information to enable them to come in and simply enroll in the program.

Mr. HUDGINS. Mr. Chairman, could I add to his response?

Mr. PANETTA. Sure.

Mr. HUDGINS. I concur 100 percent with what he is saying, and I would add that I think we have had too much negative publicity about this program and not enough positive. I think since we abolished the requirement and in fact restricted the availability of Federal funds to do outreach, I believe that has been one of the contributing factors. I think Mr. Greenstein spoke to that this morning.

In our own county, Durham, NC, we have now instigated a voluntary outreach program using students from Duke University in each of the senior centers and each of the senior housing projects to try to increase our eligible elderly who are participating in the program. We find that outreach is one barrier.

However, there is another problem, I think, that many elderly appear to be concerned about, and that is the possibility of being prosecuted as a result of any false statement they might make connected with the eligibility process. I think we have seen so much publicity about fraud in the program and people who have been convicted and sentenced to jail that there is some fear among elderly citizens that if they make an error in the application process it could result in a criminal action against them. I think that is unfortunate, but that is part of what I think the national environment is.

Mr. PANETTA. If we went to case assistance for the elderly, would that make a difference?

Mr. HUDGINS. I think it would in terms of the stigma involved. I think he is right. That is another deterrent to so many of the elderly participating.

Mr. PANETTA. I see.

Mr. Maxwell, let me ask you, on the medical deduction which is old chestnuts bounced around here a number of times, we go from the $35 to the 5 percent of gross income. Do you have any idea how many people we would be impacting by doing that? Do you have any numbers?

Mr. MAXWELL. Really, we don't, but I think the 5 percent is consistent with income tax treatment is I really feel that is why that is.

Mr. PANETTA. Yes, I think that is right.

Mr. MAXWELL. But we were surprised at the number of people when it went from $25 to $35, as I recall, or was supposed to go, and it didn't, but when you look at the people that are below the poverty level, and I would say particularly in our area, I think the eight States with highest population of poverty level people are our areas down in Tennessee and south and east. That $35 is a significant part of the income that many of our elderly are living on.

Mr. PANETTA. We had——

Mr. MAXWELL. Let me make my point once more.

Mr. PANETTA. Sure.

Mr. MAXWELL. Thirty-five dollars is a significant proportion of the income that a lot of our elderly have, and the 5 percent would, I think, bring a third—take it down to an average of $18.

I would like also to emphasize this matter of definition of household and the fact that if a dependent person moves in with a family, then they get all confused about what is the definition.

Mr. HUDGINS. Yes, I would agree. The household definition has restricted participation of some households. It has been one of the major factors we have seen for the decrease in participation, especially in times when we find probably the one need that is greatest in our community and throughout many urban areas is available housing, and when families have to double up because there is no housing available, it may affect one household becoming eligible or both households being eligible to participate in the Food Stamp Program.

Mr. MAXWELL. A large proportion of the elderly are in single, particularly women, are in single person households or they are living with a second person very much like themselves. In many cases, the second person is a frail person being cared for by the first one. So, it does present a problem.

Mr. PANETTA. Let me ask you, on the Thrifty Food Plan, we have done some studies on the Thrifty Food Plan which raises some questions about whether specific diets for the elderly are, in fact, accommodated by the Thrifty Food Plan. Is that a problem? Is that something that needs to be addressed?

Mr. FRETZ. I could try to answer that, Mr. Chairman. That does seem to be a substantial problem in elderly households and for that reason it has been put forward as a suggested amendment, particularly special diets with respect to older persons suffering from hypertension, I understand, physician prescribed diets. Diabetes, too, is an extra cost.

Mr. PANETTA. All right. Thank you, all of you, for testifying. I appreciate the advice and guidance that you have provided. Obviously, it will play an important role in our markup of the food stamp reauthorization.

My thanks to all of the witnesses who have appeared over the last 2 days for the testimony that has been provided. The subcommittee will consider all of that testimony plus, without objection, I would like to keep the record open for 10 additional days for others to submit statements for the record. All of that will be considered by the subcommittee as we begin work now to develop a proposal that will be included in the overall farm bill relating to food stamps and nutrition programs.

This has all been very helpful to us. Our hope is that what we can present will do an effective job at meeting what I think are increasing nutritional needs in our society. So, my thanks to all of you and to the members of the task force during the course of the hearing.

The hearing is now adjourned.

[Whereupon, at 4:10 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

EXTENDED REMARKS TO TESTIMONY BY
THE HONORABLE CARMEN SONIA ZAYAS
SECRETARY OF THE DEPARTMENT OF SOCIAL SERVICES
COMMONWEALTH OF PUERTO RICO

As Secretary of Social Services for the Commonwealth of Puerto Rico, I am pleased to present for the record these extended remarks to my testimony on April 17, 1985 before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, in support of the Puerto Rico Nutrition Assistance Program (NAP).

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), terminated Puerto Rico's participation in the National Food Stamp Program (FSP) as of June 30, 1982 and established a Nutrition Assistance Block Grant, capped at $825 million annually.

The new Block Grant Program was mandated for implementation by July 1, 1982, and will expire on October, 1985, unless favorably acted upon by Congress on, or before, September 30, 1985.

Puerto Rico understands that it was not due to lack of awareness and a valid assessment of its needs and limited funding capabilities that Congress terminated, as of 1982, Puerto Rico's participation in the National Food Stamp Program, and substituted for it a nutritional assistance capped clock grant at $825 million. The potential inequities of such differential treatment and its adverse impact on Puerto Rico's depressed economy were vigorously described then before this Subcommittee, which had to weigh the merits of the case within the larger context of national needs and interests.

It was precisely the extent of Puerto Rico's socioeconomic needs--which had resulted in burgeoning costs for the Commonwealth's Food Stamp Program--that led Congress to provide the capped funding alternative. In capping the expenditures of Puerto Rico's Nutrition Assistance Program, Congress, additionally and clearly expressed its intent to allow Puerto Rico the discretion and flexibility commensurate with the hard fiscal realities faced by the Commonwealth.

There is no other jurisdiction within the United States where nutrition assistance is more justified from need than Puerto Rico. The U.S. 1980 census confirms the harsh reality of the persistence in Puerto Rico of extensive poverty, despite the sustained and enlightened efforts at socioeconomic development undertaken in this and past decades. The 1980 census shows that 62 percent of the Puerto Rican population has incomes below the U.S. poverty levels; far more than Mississippi, one of the poorest states, and over five times that of the United States. In addition, population control measures have not yet succeeded in reducing growth rates to levels comparable to those of the mainland. Migration of Puerto Ricans to the States and to other countries, is being offset by return migration and my immigration of non-USA nationals, particularly in recent years.

Unemployment, which Puerto Rico's industrialization programs had succeeded in lowering to 12 percent, has climbed steadily since the mid-70's and currently stands at 22 percent, comparable to the 21.7 percent of 1982. Unemployment hits youngest families the hardest, where children are being born and raised in circumstances that deny them appropriate developmental opportunities.

Projections of economic growth for the foreseable future are not optimistic, despite the fact that the rate of growth of the Puerto Rican economy took a positive turn in 1984, after four years of zero or negative growth from 1980 through 1983.

It has been under these persistent adverse circumstances that Puerto Rico has had to accept the substantial reductions in federal nutrition assistance support that the current Block Grant represents relative to participation in the National Food Stamp Program. When the Block Grant was implemented in 1982-83, the reduction in nutrition assistance benefits amounted to $113,400,200 (nominal dollars) from the previous year (1981-82), or 13 percent. The reduction relative to projected food stamp benefits for the same year (1982-83) was more than $300 million, or 25%. There was no recourse but to impose the weight of these severe funding reductions on those who need assistance to obtain a relatively adequate nutritional diet.

It is, thus, with a conflictive sense of loss and accomplishment that I can now report to you that Puerto Rico, through its Department of Social Services, has succeeded in organizing and administering its mandated Nutrition Assisance Program, in line with the policies established in the Omnibus Budget Reconciliation Act of 1981, and the purposes and objectives of the Food Stamp Act of 1977. Additionally, program accountability has been enhanced, and is now comparable to that attained in the mainland United Staes.

In order to achieve the outlined policy objectives, the following measures have been implemented, among others:

1. To adjust assistance benefits to reduced resources, program eligibility has been sharply restricted and benefits have been redirected to households with less income. Reductions have been enforced on monthly gross income limits; allowance assets for non-elderly households; exclusion of vehicles from consideration as assets; limits of net income after allowable deductions for households with an elderly or a disabled member; standard deductions; medical deductions for elderly and disabled member households.

2. Methods used to determine benefit amounts have been changed to obtain a downward revision of approximately 10%. Individual NAP benefits are now adjusted up or down each month on the basis of aggregate budgeted funds.

All individuals residing together are considered to be a single household, which was not the case in the Food Stamp Program. Initial benefits to newly certified households are now payable for the first full month following the date of certification and are not prorated to that date. No benefits of less than $10 are paid.

3. Procedures used in the NAP eligibility certification process are significantly more stringent than those applied in the Food Stamp Program. Home visits not previously required to certify information, are now necessary for all new applicant households, for a 3% sample of all recertifications, and in several types of special situations that warrant home visits. A blanket verification release is required within ten days after applying for nutrition assistance. If it is not forthcoming, the application is not processed. Such action can also be taken if the applicant does not comply satisfactorily with certification procedures, such as office appointments, etc. The same applies in cases that are undergoing recertification. New procedures for "emergency services" have replaced the expedited service rules under the Food Stamp Program. Regular verification procedures are now required in emergency situations, and assistance cannot be provisionally certified unless such requirements are met. Requirements for obtaining and

recording information have been increased and tightened relative to those that FSP had developed.

4. The most notable administrative change in the organization of NAP, as a substitute for the previous FSP, has been the replacement of benefits in the form of coupons by a direct delivery check system. I am aware that members of this Subcommittee, which held special hearings on this issue on April 29, 1982, expressed concern about the possible adverse impact of check issuance on the nutritional and food expenditure levels of NAP recipients. Therefore, I will specifically address this issue upon completion of the general review of NAP's implementation and program development.

The program and administrative changes previously described, have been rigorous and for the most part restrictive. As can then be expected, they have had a considerable impact on program participation, administrative costs, the incidence of program operation errors, and the misuse of benefits.

Program Participation

The implementation of the Block Grant on July, 1982 brought about an immediate reduction in the nutrition assistance caseload amounting to 45,642 recipient households, or 8.9% of those that had been certified for food stamp benefits in the last FSP month of June, 1982. As the impact of NAP's stringent eligibility and certification requirements has taken effect, this decreasing caseload tendency has been sustained, though at a slower rate. In the period from July, 1984 to March, 1985, for example, the NAP monthly caseload of recipient households decreased to 405,000-400,000 units. This is a reduction of approximately 14 percent when compared to NAP's first month of operation (July, 1982), and of 21.9 percent relative to the last month of FSP (June, 1982).

Since this decline has occurred during periods of continued high unemployment, the decreasing trend in recipient households can be attributed to program changes.

More significantly, these changes have redirected nutrition assistance payments to the families that have fewer economic resources. When appropriate comparisons are established, it can be shown that, on the average, NAP has served families with lower incomes than did FSP. In June, 1982, the last month in which FSP operated, 9.7% of the participating households had gross incomes above 75% of the poverty line. Two years later, only 1.1% of NAP recipient households fell into that category. A similar comparison for participating households where the gross income falls below 25% of the poverty level shows that, while FSP had 46% of its recipients in that category, NAP has also eliminated the participation of families above the poverty line, which constituted 1.4% of FSP families.

A comparative analysis of the characteristics of participating households in FSP (for June, 1982) and NAP (for June, 1984) indicates that in NAP households, there are fewer earners, fewer single-person units, fewer males as heads of families than was the case in FSP. In contrast, NAP benefits are being granted to more households with disabled members, with members over age 60, and with females as heads of families. The participation of Social Security recipients is comparable in both groups' program data, thus indicating that NAP has succeeded in retargeting its benefits to serve the neediest.

Administrative Cost

It is evident that a Block Grant Program which substantially reduced funding required that particular attention be given to the need for obtaining a corresponding decrease in administrative costs. Our program operation experience has shown that the reduction in nominal dollars of administrative costs between the last year of the FSP (1981-82) and the first year of NAP's full operation (1983-84) amounted to close to $7 million, or a 12.6% savings. These decreases, adjusted to constant 1983 dollars, rose to $9.4 million, a savings of 17.2% from previous FSP costs.

Nominal reductions in budget items, such as space costs, consultants and contracts, transportation, program documents, leasing, purchasing, insurance, utilities, etc., have been dramatic. Cost reductions on such budget items range up to 33% from FSP expenditures.

Personnel expenditures, which have been reduced by 10% in nominal dollars (-$3.72 million), have not obtained the expected savings, since the assumption that caseloads per worker would remain close to the former FSP levels has not in fact occurred. More stringent certification and verification procedures, particularly the required home visits, have offset potential personnel reductions associated with the decline in aggregate caseloads.

The change from non-cash benefits was motivated in part by the expectation that essential administrative cost savings could be achieved through this shift. This expectation has been fulfilled, as shown in estimates based on careful analysis of all pertinent budget items and experience, both for FSP and NAP. Issuance savings are estimated at:

- $5.8 million or 11% of former FSP administrative costs (lower "best guess" estimate); or
- $8.2 million or 15% (upperbound estimate of savings).

These check issuance savings do not include those that the federal government has obtained from the elimination of coupon printing and shipping ($2 million), and by the elimination of the retail authorization and compliance monitoring function ($1 million), for a total of $3 million.

Although the Department of Social Services is no longer required by federal law to perform a quality control function, it continues to do so in accordance with federal FSP quality control standards. My Department is committed to the accountable and efficient administration of Puerto Rico's NAP. Its quality control system allows for comparisons with FSP experience, and with case and payment error rates obtained in the mainland for FSP.

NAP has improved former FSP operation error rates by more than three percentage points. The significance of this performance improvement can be subjected, however, to varied interpretation. Case error rates in the United States and in Puerto Rico have followed similar downward trends since 1977, with slight variations. Therefore, while case error rates have fallen since the conversion to NAP, the decrease appears to have begun before NAP was implemented and parallels a corresponding decline in the U.S. Food Stamp Program. Though the claim, then, that NAP--of itself--has reduced case error rates may be unfounded, it is nontheless evident that NAP program personnel have improved past FSP performance and have been able to maintain standard of performance comparable to those prevalent in the mainland United States. This has occurred despite the complex revision of program certification and verification procedures that NAP personnel has had to learn and implement.

Similarly, during the second semester of NAP's first year of operation (1983) its percentage of payments in error was lower than that in the U.S. Food Stamp Program (8.2 and 8.8%, respectively). Here again, however, it can be claimed that the relative stability of the percentage of payments in error following NAP appears to indicate that payment errors may have been unaffected by NAP. The fact is, however, that NAP has not worsened a crucial payment function. On the contrary, its payment error rates performance compares favorably with U.S. Food Stamps performance.

Check Issuance: The change from non-cash to NAP cash

Reference has already been made to the fact that check issuance, or the shift from non-cash food stamp coupons to NAP cash benefits in the form of checks, is the most notable difference between the previous FSP and the current NAP. This change also became the single most debated issue relative to the NAP implementation plan that Puerto Rico submitted to the United States Department of Agriculture (USDA), in accordance with the broad administrative flexibility that Congress had granted the Commonwealth for the mandated Block Grant.

The USDA approved the proposed Puerto Rico paln, including check issuance on April 23, 1982. Concern among members of Subcommittee led to its convening for special hearings on April 29, 1982, to review the NAP implementation plan. A number of legitimate concerns were raised in the course of these hearings by members of subcommittee, and in testimonies presented by representatives of food distribution industries in Puerto Rico. The questions then raised particularly addressed the need that NAP benefits be expended to purchase food, and not be wasted in non-nutritional expenditures. Fears were expressed that cash benefits in the form of checks might lead to less responsible nutrition benefit use than was the case in the FSP.

This Subcommittee's concerns about NAP check issuance eventually led the 98th Congress to attach to its 1984-85 extension of the cash nutrition assistance program a clause that requires the U.S. Secretary of Agriculture independently to conduct a study of the food assistance program in Puerto Rico, and to submit its results by March, 1985.

In the latter respect, it is our understanding that USDA has already submitted an Interim Report of its study findings and that a final report will be available in June. This report will specifically address issues related to the adequacy of the nutritional level of NAP recipient households' diets and their food expenditure levels. In the meantime, the analysis of program operations, the available results of the USDA independent study, and the additional pertinent research conducted in Puerto Rico lead to several factual conclusions.

NAP check issuance has obtained the substantial administrative cost savings that were expected, and that are essential to the development of Puerto Rico's Block Grant. As previously stated, check issuance by itself has saved from 11 to 15% of previous FSP administrative costs (a nominal dollar range savings of $5.8 to $8.2 million). The achievement of this level of savings was one of the main reasons to change non-cash benefits to NAP cash benefits. It must be kept in mind that as Puerto Rico has funding access only to a capped Block Grant of $825 million, this funding capability is continuously subjected to the purchasing erosion that inflation creates, both for the administering agency and for program recipients. NAP has been able, through caseload decline, to offset part of this inflationary loss in the purchasing power of households benefits. This remedial capability is particularly important when considering that NAP has redirected its benefits to households with a lower income than was the case for FSP recipients. The increase of $12.27 or 6.8%, in average household benefits between 1981-82 (FSP) and 1983-84 (NAP) indicates that this anti-inflationary need is being met to some degree.

In the case of the administering agency, the Commonwealth's Department of Social Services, there is no other recourse against the inflationary pressure created by the NAP capped Block Grant than to maintain administrative costs at the lowest level possible. This means that, in view of the documented substantial savings capability of check issuance, the adoption now of any other more costly form of NAP benefit issuance system would need to be clearly justified as a matter of program integrity and public interest. No such justifying evidence exists today.

Another important reason for the substitution of non-cash benefits with NAP cash benefits was the onerous system of Food Stamp Coupon distribution that was based on long lines. This system entailed not only a considerable investment of recipient time and effort, but also a potential loss of whatever measure of personal dignity they might be trying to maintain. Under these circumstances, it is not surprising that survey researsh shows that NAP recipients prefer NAP check issuance over food coupons or a similar system of benefit distribution by a four to one ratio. In addition, members of focus groups interviewed in the course of the USDA study, consistently stated that NAP provides a safer and more convenient way to obtain benefits once eligibility has been established.

Check issuance operations, which encompass the electronic processing of pertinent data and checks, mail check distribution and various bank operations in the cashing process, have been implemented efficiently and with few difficulties. Although a check issuance system is vulnerable to certain types of abuses, these can be limited through adequate controls. Those established for NAP have, at the very least, provided issuance controls comparable to the previous FSP experience. Fraudulently reporting check theft or receiving unwarranted check replacements, for example, has been negligible. If in 1983 all replacement checks had been obtained fraudulently, this would have occurred in only .006% of all transactions.

Data available, though limited, indicate that the fear that NAP check issuance might lead to widespread misuse of nutrition assistance benefits, and at levels beyond those associated with the Food Stamp Program, has not materialized. Program experience has shown that fraud cases decreased with the conversion to NAP, and although they have been gradually increasing as a result of aggressive investigation policies, their incidence has not yet reached observed FSP levels. The Department of Social Services is committed to vigorous control of fraud and to nutritional education, a special program that will be reorganized and strengthened as of July, 1985. A representative sample survey contracted by the Department of Social Services with an independent research firm in December, 1982, concluded after interviews with 1,500 NAP recipients, that the majority cashed their checks at food stores. Almost all NAP recipients reported that they shopped at the same type of store as they did during the FSP, and that they bought about the same amount of food as they did during the FSP. The USDA study will show whether there have been changes in food expenditure patterns from those identified in 1982. Internal processing of the cancelled checks confirms the survey findings that the majority of NAP checks are cashed at food outlets.

Personal food consumption patterns for Puerto Rico in the period from 1979 (FSP) to 1984 (NAP) do not support the assumption that NAP check issuance might lead to significant non-food expenditures. Although the analyzed patterns reflect total food consumption in Puerto Rico, it is interesting to note that in 1980-81, when FSP was in operation, and its non-cash benefits rose 13.7% in constant 1954 dollars from the previous year (1979-80), total food consumption for Puerto Rico rose by 7.6%. NAP benefits decreased 38.6% from previous FSP benefits. Total food consumption again rose in 1983-84 by 6.0%, while NAP benefits decreased by an additional 1.3 percent (in constant 1954 dollars). These general food consumption patterns have remained fairly stable while per capita disposable income has decreased in real terms since 1980, and nutrition assistance benefits have been sharply reduced. These data indicate that the conversion to NAP and its cash benefits have not resulted in significant non-food expenditures.

The House Conference Report (H.R. 97-208) on the Omnibus Budget Reconciliation Act of 1971 (PL 97-35) provided for the use of a small proportion of the Block Grant funds for special projects to improve or stimulate agriculture, food production, and food distribution. Such projects should increase the self-sufficiency and nutritional standard of needy citizens in Puerto Rico and must demonstrate to USDA's satisfaction that they are directly related to improvements in the nutritional status of the needy. Four special projects were funded in Fiscal Years 1983 and 1984 for approximately $25 million of the $825 million grant.

In the past, there has been no definition of what constitutes a small proportion of the grant. Now, after three years of special projects, and in consultation with USDA, the Commonwealth of Puerto Rico has decided to establish a celing on the amount that can be diverted from direct nutrition assistance to fund these projects. For Fiscal Year 1986, only $7.3 million of the $825 million grant, or less than one percent, will be used to finance two of the original four projects. This is a considerable reduction from the $25.9 million that was set aside for special projects during FY-85.

In Fiscal Year 1986, the Nutrition Education Project will be integrated as a component of the normal administration of the Nutrition Assistance Program. Funding for a much reduced nutrition education effort ($1.4 million) will take place under the Federal-Commonwealth matching requirements of the Block Grant for administrative expenses.

The Agro-Industrial Development Fund, a source of great concern for us, will cease as a special project at the end of the current fiscal year, by which date over $35 million will have been placed into this revolving fund. With improved management by the Puerto Rico Department of Agriculture, that amount should be sufficient to fund future worthly projects.

The Tick Eradication Project will be continued at the reduced level of $6.8 million during FY-86. This project has been operating in conjunction with related activities funded directly by USDA's Animal and Plant Health Inspection Service and the Puerto Rico Department of Agriculture. This project will also cease as a NAP special project upon the completion of the specified, multi-year plan.

The Crop Protection Project will remain as a special project, but at the reduced funding level of $500,000 for FY-86. In FY-85, $3.1 million was set aside for this project.

As a result of these reductions, $18.6 million more will be directed to nutrition benefits in FY-86 than in each of the two previous fiscal years. This is consistent with our commitment to target maximum benefits to the truly needy citizens of Puerto Rico.

(Attachments follow:)

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**Junta de Directores
1984-85**

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Better Business Bureau
Colegio de Contadores Públicos Autorizados de Puerto Rico
Data Processing Management Association
Sales & Marketing Executives Association of San Juan
San Juan Puerto Rico Convention Bureau

April 15, 1985

Hon. Leon E. Panetta
Chairman
Subcommittee on Domestic Marketing
Consumer Relations and Nutrition
Room 1301, Longworth House Office Building
Washington, DC 20515

Dear Mr. Congressman:

The Chamber of Commerce of Puerto Rico is very much concerned about possible modifications of the Nutritional Assistance Program. We consider that the program has functioned better than anyone expected before it was implemented in 1982. Many people predicted that food consumption would decline because the needy would not use the cash payments to buy food. It has been just the opposite; food consumption has gone up in Puerto Rico, which suggests that only a minuscule amount, if any, could possibly have been diverted from food purchases to other purposes because of the changeover from stamps to checks. Since the use of checks makes the program more efficient and less costly and there is no available evidence which suggest that the checks are not being spent on food, we see no reason to go back to stamps.

We feel that the Nutrition Assistance Program in Puerto Rico is functioning smoothly and it is accomplishing its basic objective in providing a nutritionally adequate diet to the needy families. The administrative efficiency and elimination of cumbersome procedures in receiving coupons by the recipients are some of the factors that make the Nutrition Assistance Program more desirable in contrast with the previous Food Stamp Program.

"Juntos Construyendo el Futuro"

Hon. Leon E. Panetta

In view of the mentioned facts, the Chamber of Commerce of Puerto Rico supports the continuation of the Nutrition Assistance Program in Puerto Rico in its present form. However, the ceiling of the block grant concerns us. The continuous loss of purchasing power by the recipients will adversely affect their well being and soon will cut into the basic objective of the program. We therefore, urge that a clause be included in the program for price level adjustment as it was withing the Food Stamp Program.

Yours sincerely,

CRUZ IRIZARRY
President

ce

MAYORISTAS, IMPORTADORES
Y DETALLISTAS DE ALIMENTOS

"Por la Unidad y el Desarrollo de la Industria de Alimentos"

April 15, 1985.

Honorable Leon E. Panetta
Chairman
Subcommittee on Domestic Marketing
Consumer Relations and Nutrition
Room 1301, Longworth House Office Building
Washington, DC 20515

Dear Mr. Congressman:

The Executive Comittee of the Food Wholesalers, Importers and Distributor's Association takes this opportunity to express full support for the Nutrition Assistance Program.

While at the time of its implementation, we expressed reservations about the Program, we understand that since its beginning the NAP has proved to be an effective way and an innovative effort by the Commonwealth to meet the food assistance needs of the Island.

There is no evidence that needy families have misused the cash assistance payments for the other needs than nutritional. We understand that the above statements is enough evidence for us to support the continuance of NAP, however, we hope that all funds will be totally distributed to the beneficiaries of this Program.

Cordially,

Johnny Luna
President

EDIFICIO MERCANTIL PLAZA, OFICINA 1120, HATO REY, PUERTO RICO
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United States General Accounting Office
Washington, DC 20548

FOR RELEASE ON DELIVERY
Expected at 10:00 a.m. EST
Wednesday, April 17, 1985

State of
Brian P. Crowley,
Associate Director, Senior Level
Resources, Community and Economic Development Division

before the
Subcommittee on Domestic Marketing
Consumer Relations, and Nutrition
of the
House Committee on Agriculture

on the
General Accounting Office's Overview of
the Food Stamp Program

Mr. Chairman and Members of the Subcommittee:

We are here today at your invitation to discuss our work on the Department of Agriculture's Food Stamp Program. The program served about 21 million persons in fiscal year 1984 at a federal cost of almost $12 billion. Because of concerns with the federal budget and the climbing federal debt, the Congress and Agriculture have been searching for ways to improve the program's integrity and administration, curb program spending, and enhance efficiency. However, the increased number of persons that Bureau of Census data show to be falling into the poverty category has created added pressure to devise strategies for maintaining and improving food assistance benefits for the needy.

My presentation will deal with some of the matters discussed in our report entitled Overview and Perspectives on the Food Stamp Program. The purpose of the report is to assist congressional deliberations on the food stamp section of the 1985 farm bill. Based on our past and ongoing work, interviews with various individuals and organizations, and a review of reports and papers from various sources, the report highlights five major Food Stamp Program issues; namely, program accountability and integrity, program simplification, nutritional adequacy of the program, interrelationship of the program with other food assistance programs, and program coverage and eligibility requirements. The report discusses the implications of each issue and its related concerns, past efforts to address them, actions that remain to be taken on our prior recommendations, and what else needs to be considered. I will not cover all of these matters today but would ask that a copy of our report be made a part of the hearing's record. I will summarize the five major issues and related concerns in this statement, and will be glad to answer any questions you may have on our work in this important area.

ACCOUNTABILITY AND INTEGRITY

The first issue I will discuss involves program accountability and integrity. Program errors, although showing signs of decreasing, continue to sap program resources, and each year cause about $1 billion in overissued benefits to households that were ineligible or that received more than they were entitled to, and $250 million in underissued benefits to households that received less than they were entitled to. The Congress has, on several occasions, legislated changes in the program that provide additional incentives and operating tools to encourage and facilitate program improvement, and Agriculture has established implementing regulations and taken other steps that have enhanced program efficiency and effectiveness. However, some concerns remain.

1. The program has a system for sanctioning states for excessive overissuances of food stamp benefits. However the system bases sanctions on the amount of a state's federally reimbursed program administrative costs, rather than on the amount by which its overissuances exceed the established error-rate target. Also, the target itself is higher than the target in the Aid to Families With Dependent Children (AFDC) Program--another major needs-based program. Legislative tightening of the food stamp sanction system by changing the way sanctions are computed and/or by lowering the error-rate target could give states a fuller measure of financial responsibility for excessive losses due to program errors.

2. To identify potential food stamp overissuances and correct improper issuances, states are required to use wage matching. This is a process in which food stamp participants' reported earnings are compared with earned-income information employers report to other agencies for various other purposes. The states and Agriculture need to place greater emphasis on automating wage matching and providing for better follow-up on potential error cases, while guarding against excessive intrusion into individuals' privacy.

3. It has historically been difficult to collect overissuances of food stamp benefits. To improve the recovery of overissuances, the Congress has authorized states to collect claims by recouping benefits from current participants for participant-caused overissuances. Also, the Congress recently authorized intercepting federal income tax refunds to collect debts owed the

federal government. Efforts to collect food stamp overissuances could be materially enhanced by an additional legislative change to expand the use of recoupment to all food stamp claims--agency caused as well as participant caused. Also, because Agriculture is not certain whether the provision to intercept tax refunds applies to food stamp overissuances, congressional clarification in this regard would be helpful.

4. States are required by law to use monthly reporting, a procedure in which certain categories of food stamp households are required to report each month information that affects their food stamp eligibility and benefit amounts. AFDC has a similar requirement. Questions have been raised whether this is an effective approach for reducing overissuances, and some have suggested that the requirement be eliminated. Past studies of this approach have not provided definitive information on the effectiveness of monthly reporting; however, the Deficit Reduction Act enacted in July 1984 limits application of AFDC's monthly reporting requirement to households with recent earned income or work history. Because food stamp legislation allows the program's monthly reporting requirements to be made compatible with AFDC's, the limitation in the Deficit Reduction Act will also serve to limit the use of monthly reporting in the Food Stamp Program. In view of this, it may be appropriate to retain the monthly reporting requirement to see how it works or does not work under the highly targeted approach now permitted.

5. Progress is being made in reducing losses in the physical delivery of program benefits (food coupons) to participants, but millions of dollars are still being lost each year. Most of these losses are incurred under delivery methods involving the mailing of benefit authorization cards or food coupons to participating households. Program legislation and regulations make states liable for only part of the losses under these methods. Other methods being used to a lesser extent are less vulnerable to losses but leave the states fully liable for all losses. Modifying legislative and regulatory provisions for states' financial liability for benefit delivery losses could provide incentives for states to use the most effective available delivery systems to further reduce issuance losses.

6. An optional program feature, called workfare, used in some locations requires certain unemployed or underemployed able-bodied food stamp recipients to work in public service jobs in exchange for their food stamp benefits. Workfare is administratively feasible but reported results vary. The Congress may have to deal with the question of whether this feature should be made mandatory or remain optional.

7. The extent of fraud in the program is not known but program officials agree that it is a serious and pervasive problem. Some progress has been made in addressing this problem. States are required to pursue suspected fraud, and such cases can be adjudicated through the courts or through administrative hearings. Both avenues have drawbacks. States are often disinclined to use the courts, and the administrative approach has problems because of its cost, the fact that virtually the same high level of evidence is required as in the courts, and the difficulty of enforcing judgments. Agriculture needs to work with the states to eliminate the main administrative hearings barriers and to continue to promote more effective pursuit and adjudication of suspected fraud to deter and prevent program losses.

PROGRAM SIMPLIFICATION

The second issue I will discuss relates to program simplification. The procedures for certifying households eligible for food stamp participation and for determining their benefits are complex. State and local foodstamp offices have expressed concerns about the need to provide more efficient, systematic, and simple procedures for the program. There are several possibilities for simplifying the process.

1. It is difficult to verify separate household status for persons living together and benefit overissuances are caused by inaccuracies in this regard. Currently, most family members living together must apply for program benefits as one household unit, but unrelated persons and elderly or disabled parents and siblings can apply as separate households. It is advantageous for persons living together to apply as separate households because the total benefits for several small households are greater than the benefits for one household with the same total number of members. A legislative changes to redefine a household so that persons living together would be treated as a single household would help reduce program abuse, free staff time for other purposes, and reduce benefit costs. Although such a definition may not precisely fit the circumstances of every program applicant, it would simplify the eligibility/benefit process.

2. Net monthly income, used to determine a household's program eligibility and benefits, is figured by subtracting from gross income certain deductions specified by law. These deductions include a complex computation of a combined deduction for actual dependent care costs and/or excess shelter costs. Calculating such deductions is time consuming and contributes to errors. Establishing one or more standard income deductions to replace the individualized income deductions currently used would simplify eligibility/benefit determinations and reduce errors. One of the consequences of standardization, however, would be that some households would get more benefits and others less.

3. Authorizing participants in certain other needs-based programs to automatically, or categorically, be eligible for food stamps benefits, as has sometimes been proposed, would save time and effort. However, because different needs-based programs have different eligibility standards, changing the law to authorize categorical eligibility for food stamp benefits could result in eligibility inequities that would need to be addressed and resolved.

4. Providing states specified amounts of money to use for food assistance but allowing them to establish and operate food assistance programs in their own way could enable states to redesign and simplify program procedures to suit their own particular situation and needs. Such a block-grant approach is being used in Puerto Rico. Appropriate congressional safeguards would be needed in any such legislation to ensure that the money provided would be used as intended.

5. Providing food stamp participants with government checks instead of food coupons, referred to as cashing out the program, would greatly simplify benefit delivery procedures but could diminish the program's nutritional orientation because the cash could be used for non-food purposes. What impact cashing-out would have on operating costs and program losses has not been specifically determined. The Puerto Rico experience may shed some light on the usefulness of this approach.

NUTRITIONAL ADEQUACY

The next issue relates to the nutritional adequacy of the Food Stamp Program. According to food stamp legislation, it is congressional policy to safeguard the health and well-being of the nation's population by raising nutrition levels among low-income households. Given past and present budget austerity initiatives, questions sometimes arise from congressional sources, program officials, and others as to whether the nutritional and health aspects of the Food Stamp Program are adequately helping to meet the needs of low-income households. Some believe they are; others believe they are not. Several key concerns persist.

1. There is some question as to what the nutritional impact of the Food Stamp Program has been. Are food stamp households obtaining a nutritionally adequate diet and, if not, why? Definitive information on the program's nutritional effectiveness is not available but may be needed to assess the program's impact.

2. Program regulations are intended to assure that participating households use their food coupons to buy the food needed for their diets through regular market outlets--primarily retail stores specially authorized for that purpose. Agriculture data

show that under existing criteria, almost a quarter million retailers had been authorized to accept food coupons as of July 1984. Almost half of them were categorized as convenience, specialty, and combination stores--including some whose primary business is the sale of items not eligible for purchase with food coupons. These types of retailers accounted for only about 15 percent of food coupon redemptions. Tightening retailer authorization criteria through legislation and regulations could help ease the program's retailer management and monitoring burden and better assure achievement of the program's nutritional objective.

3. Eliminating the Food Stamp Program's purchase requirement, under which a participating household paid 30 percent of its monthly income for a full month's allotment of food coupons, simplified administrative processes. However, it may also have adversely affected achievement of the Food Stamp Program's nutritional objective because assurances no longer exist that participating households are spending their own income for food.

In addition to the three foregoing concerns, several additional concerns involve aspects of Agriculture's Thrifty Food Plan--a low-cost diet plan that specifies the cost, quantities, and types of foods that can provide a nutritious diet for a model four-person household, and has built into it economies-of-scale factors for other size households. This plan is the basis for determining food stamp benefits.

4. Policy makers and others have raised questions as to whether the total benefits that could be received under Agriculture's Thrifty Food Plan are adequate to enable households to meet their nutritional needs. There has been recent congressional interest in having the plan reevaluated.

5. Under the Thrifty Food Plan, food stamp benefits are based on Agriculture's model four-person household consisting of a man and woman and two children. This model was developed in 1971. An updating of this household makeup may be in order because it may not be representative of the average food stamp household today.

6. The nutritional needs of persons of different sex and age vary. Consequently, the Food Stamp Program's standardized benefits equal the food costs in the Thrifty Food Plan only in cases where a household's composition happens to be identical to the model household. An individualized benefit system that would take into account the age and sex of household's members could better meet the nutritional needs of participating households, but its administrative feasibility would first need to be studied by Agriculture.

7. The Thrifty Food Plan has economies-of-scale adjustment factors to determine food stamp benefit levels for households that have more or less members than the four-person model household. Because these factors are based on 1965 data, they may no longer be appropriate and may require study by Agriculture.

INTERRELATIONSHIP OF THE FOOD STAMP PROGRAM WITH OTHER DOMESTIC FOOD ASSISTANCE PROGRAMS

The fourth issue concerns the interrelationship of the Food Stamp Program with Agriculture's 10 other domestic food assistance programs and with the Department of Health and Human Services' AFDC and Supplemental Security Income (SSI) cash assistance programs. The basic goals of these programs are similar and households can, and often do, receive benefits from more than one of these programs simultaneously. In fiscal year 1984, Agriculture's 11 domestic food assistance programs and the AFDC and SSI Programs cost the federal government over $30 billion. (The 11 food assistance programs are listed in the attachment to this statement.)

Each of these programs is based on separate authorizing legislation and regulations, and the management roles of the federal, state, and local agencies that run the programs vary by program and state. The different rules, funding systems, and operating demands have added to the confusion of program administrators as well as program participants and those potentially eligible to participate. We believe that two aspects of the interrelationships among these assistance programs need to be addressed.

1. First, some food stamp households receive non-cash benefits, such as school meals and housing assistance, from other federal assistance programs. Such benefits are legislatively excluded from food stamp eligibility and benefit determinations. These exclusions should be re-examined.

2. Second, we reported in 1978 on the differences in eligibility and administrative requirements among the various food and income assistance programs. Such differences still exist and cause program errors. Agriculture and other involved agencies should propose consistent requirements, study the effects such requirements would have on the programs, and report the results to the Congress for action.

PROGRAM COVERAGE AND ELIGIBILITY REQUIREMENTS

Finally, I will address the issue of program coverage and eligibility requirements. Agriculture has estimated that about two-thirds of all persons eligible for food stamp benefits participate in the program. It therefore follows that many low-income Americans are not participating--some may simply choose not to apply while others may be uninformed about eligibility for the program. Also, some have questioned whether program criteria excludes needy people from the program. Further, questions have been raised about whether state regulations restrict food stamp participation by the homeless and others.

1. The Congress may want to consider whether available estimates of program coverage accurately reflect the current situation, whether such coverage is viewed as a problem, and what degree of coverage would be reasonable. Based on this, decisions could be made as to whether any further actions, such as outreach, are needed.

2. Some view Food Stamp Program rules as excluding needy people from the program because of the gross income cap of 130 percent of the poverty level and because of liquid asset limitations. It is not clear to what extent households that cannot meet these criteria should be considered needy. We recommended in a 1978 report that the Congress adopt a uniform definition of the term "needy" for food assistance purposes. Such a definition could help settle concerns as to whether needy people are being inappropriately excluded from participation in the Food Stamp Program.

3. Homelessness has become a more visible problem in the United States, and concerns have been expressed as to whether the homeless are being inappropriately excluded from Food Stamp Program participation. Agriculture has directed that states make certain that eligible homeless persons not be denied program benefits because they do not have a fixed address. It is not clear, however, whether this program, with its emphasis on purchasing and preparing staple food for home consumption, is the best means of addressing the problem of feeding the homeless. Perhaps some kinds of communal or meals-on-wheels approaches would be better suited to the homeless situation.

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This concludes my statement. We will be glad to respond to your questions.

(Attachment follows:)

ATTACHMENT ATTACHMENT

DEPARTMENT OF AGRICULTURE DOMESTIC FOOD ASSISTANCE PROGRAMS

1. Food Stamp Program
2. National School Lunch Program
3. Special Supplemental Food Program for Women, Infants, and Children
4. Nutritional Assistance Grant (Puerto Rico)
5. School Breakfast Program
6. Child Care Food Program
7. Food Donations Program
8. Summer Food Service Program
9. Commodity Supplemental Food Program
10. Special Milk Program
11. Temporary Emergency Food Assistance Program

TESTIMONY OF ROBERT GREENSTEIN
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES
before the
SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER AFFAIRS, AND NUTRITION
HOUSE COMMITTEE ON AGRICULTURE
April 17, 1985

Mr. Chairman and Members of the Subcommittee, I would like to thank you for inviting me to testify here today. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, a non-profit organization focusing on research and analysis on poverty and related issues. I have worked on food stamp and other food assistance issues for 13 years and served as Administrator of the Food and Nutrition Service in 1979 and 1980.

I would like today to divide my testimony into two parts. First, I would like to review some issues that relate to the problem of hunger in the U.S. Then I would like to discuss some specific proposals for changes in the food stamp program.

Food stamps and the problem of hunger

There are two ways in which the current state of the food stamp program relates to the problem of hunger. Substantial numbers of needy persons do not receive food stamps, although in most cases they are eligible. Second, for many who do get stamps, they do not last through the month.

1. Trends in food stamp participation

Several months ago I conducted an analysis comparing food stamp participation in September 1980 with participation in September 1984.

In September 1980, 20.1 million persons received food stamps. In September 1984, 19.8 million received stamps. While this 300,000 drop in participation may appear modest, it is actually quite striking -- because the number of people below the poverty line, most of whom are eligible for food stamps, rose dramatically during this period. There were nearly 5 million more persons who were poor in 1984 than in 1980.

Poverty Population

1980	29.3 million
1984*	34.2 million

In past years, for every three persons in poverty there were two persons receiving food stamps. If we apply this rule-of-thumb to the poverty trends since 1980, the increase in the poverty population of nearly 5 million from 1980 to 1984 should have added over 3 million persons to the food stamp program. Instead, participation is down 300,000. There are 3.0 - 3.5 million fewer persons in the program than would have been expected.

None of us really know why this has happened. The 1981 Reconciliation Act, with its enactment of a gross income cap at 130% of the poverty line, is estimated by CBO and USDA to have eliminated about 1 million persons. We do not know the explanation for the remaining 2 million person discrepancy between actual participation and what would have been expected.

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*These figures for 1984 are projected figures. The projections have been done by Dr. Peter Gottschalk of Bowdoin College, a leading expert in the field. Gottschalk's projections have erred on the low side in recent years.

This discrepancy shows up in CBO estimates as well. The estimates of food stamp costs that CBO made when the 1981 and 1982 Reconciliation Acts were passed have proved far too high -- largely because participation has been lower than expected.

It may be that the budget reductions had a larger impact than we thought -- but there is no way this could explain all or even most of the discrepancy. The lack of adjustment of the assets limits for inflation may have been a significant factor. The drive to lower error rates and tighten the program may have increased the burden of applying for the program, by requiring applicants to make more visits to the food stamp office to secure more pieces of documentation. If so, this could have led some eligible families or elderly persons not to apply. The elimination of outreach could have been a modest contributing factor.

In short, we don't know what factors are responsible for the relative decline in participation. But we do know that participation, when adjusted to reflect the increase in poverty, has dropped much more than anyone anticipated. In September 1980, there were 69 persons receiving food stamps for every 100 persons in poverty. In September 1984, there were 58 persons receiving stamps for every 100 persons in poverty.

Essentially, the program has been tightened -- and reduced in scope -- considerably more than has generally been recognized. When the food stamp program was up for reauthorization four years ago, one criticism leveled by some was that the program was growing "out of control." Whether or not that was actually the case in 1981, it surely is not the case today.

2. The adequacy of food stamp benefits

The second issue I would like to explore in this area regards the adequacy of food stamp benefit levels. The Subcommittee's new report on the Thrifty Food Plan is a major contribution to our understanding of this area. Its analysis of how food stamp benefits lag behind the true cost of the thrifty food plan, how sales taxes further reduce benefits below thrifty food plan levels in a number of states, how the amount of time needed to cook and prepare the meals envisioned in the thrifty plan (3 1/2 hours a day) may be beyond the time available to low income working mothers with young children, and the potential problems posed for recipients by higher prices in small, inner city food stores all help to explain why many food stamp families are without resources for food before the end of the month.

I would like to add the observation that changes and reductions in other programs -- programs generally outside the food area and outside the jurisdiction of this Committee -- have also been factors in contributing to the hunger problem and aggravating the "end of the month" syndrome.

USDA's Food Consumption surveys show that in past years, most food stamp families were squeezing their limited incomes to spend more on food than the cost of the Thrifty Food Plan. Today, however, it is more difficult for poor families to do this.

First, benefits in the AFDC program have continued a steady decline that dates back to 1970. Congressional Research Service data show that since 1970, AFDC benefits have fallen 33% when adjusted for inflation. This is due to states' failures to keep these benefits up with inflation. No other segment of the American population has lost so much or fared so badly in recent years.

A new CRS analysis, published in February by the House Ways and Means Committee, shows that the value of AFDC and food stamps combined is now only slightly higher than the value of AFDC alone in 1960, before food stamps even existed. This is a stunning fact -- that for poor families with children, benefits declined nearly to 1960 levels.

A second factor is the rather precipitous decline in unemployment insurance coverage. Labor Department data show that in 1984, only 34% of the unemployed received unemployment benefits in an average month, the lowest such percentage recorded in the program's history. In the late 1970's, between 50% and 70% of the unemployed were drawing benefits. Today, in half the states in the country, if an unemployed worker has exhausted unemployment benefits and lives with a spouse and children, the family can get neither unemployment insurance, welfare, or Medicaid.

The point is that when AFDC benefits fall and unemployment insurance coverage contracts, low income families have less resources with which to supplement their food stamps and purchase more food. This has contributed to the hunger problem.

The problem is aggravated further when other family expenses rise. One change enacted in 1981 raised rents for all 4 million families and elderly persons living in public or subsidized housing. In addition, in many parts of the country, heating bills have continued to rise, but funding for the low income energy assistance has not kept pace. Reductions in Medicaid in a number of states have shifted some medical costs onto beneficiaries. When rent, heat, and medical bills rise, there is less money available to spend on food.

Where to go from here?

These thoughts lead me to two conclusions. First, it is very important, in the considerations of the budget this year, that there not be further reductions in programs for the poor. Reductions in Medicaid or low income housing, or even a freeze in energy assistance while heating bills rise further, are likely to aggravate the problems we currently see. I would hope that low income programs, which are only a small portion of the budget, are treated separately from other programs in the budget this year. This would be equitable, since these programs were cut much more deeply than the rest of the budget in 1981 and 1982.

Secondly, I believe we do need to carefully consider some changes in the food stamp program. As long as hunger persists in the U.S., the food stamp program will be the principal means to address it. The increase in hunger in recent years makes it important that we improve the ability of the program to deal with this tragic situation.

Issues in the food stamp program

Last year, H.R. 5151 would have made a number of improvements in the food stamp program that, although modest in cost, would have provided real help for many families experiencing difficult times. In general, I support those provisions and urge their consideration and approval again this year.

One of the most critical issues, of course, is the adequacy of food stamp benefit levels. As the President's Task Force on Food Assistance stated last year, there really is no justification for benefits falling below the full value of the Thrifty Food Plan. Yet this is what now regularly occurs, as the Committee's new thrifty food plan study documents.

Two problems in particular need addressing. First, the fact that benefits have been lagging an average of 5% behind the cost of the Thrifty Food Plan in recent years is a serious issue. There are various options as to how to address this problem -- whether through basing benefit levels for a fiscal year on the average projected cost of the Thrifty Plan for that year, or alternatively, through continuing to set benefits for a year on food costs in the previous June but putting the prescribed benefit level above 100% of the thrifty plan's cost. Some correction, however, is badly needed.

Second, there is the issue of sales tax. As the Subcommittee knows, when a state charges a 5% sales tax on food stamp purchases, poor families and elderly individuals receive a benefit equal to only 95% of the thrifty food plan's cost. This undermines the basic purpose of the program.

Two approaches have been suggested to remedy this problem. One approach would simply require the states to rebate to the U.S. Treasury the value of all sales tax collected on food stamp purchases. The second approach would also require sales tax collections to be rebated to the Treasury but would take one additional step. It would set food stamp benefits for states with sales taxes at such a level that the benefit -- after sales tax is collected -- still equals 100% of the thrifty plan's cost. For example, if a state charges a 5% sales tax, benefits would be set at 105% of the thrifty plan's cost.

I believe the second approach is far preferable. If sales tax collections are simply rebated to the Treasury without any adjustment in benefit amounts, poor families will still get a benefit that falls below the thrifty food plan's value. From the standpoint of addressing the problem of hunger, nothing will really have changed. The difference will simply be that the federal government rather than state governments will get to keep the funds originally intended for recipients.

This point is particularly important, because many of the states that now charge these sales taxes are precisely the same states that have the highest poverty rates in the nation, the highest infant mortality rates, and the lowest AFDC benefit levels. These are the southern states. In the very states where poor families and children need these benefits the most, they lose benefits to the sales tax. It is important that the sale tax issue be addressed in a way that restores benefits in these states.

I would add that raising benefits across the country to 101% or 102% of the thrifty plan, while helpful in dealing with the "lag" in benefits discussed earlier, will not really remedy the sales tax problem. These families in the South are losing more than 1% or 2% of their food stamp benefits to the sales tax. And they are among the poorest person in our country, with incomes that often fall below half the poverty line.

Employment issues

Another area that could use improvement is the part of the food stamp program dealing with work issues. For too many years, this aspect of the food stamp program has been mired in an unproductive debate between those whose main concern is to impose various work tests and requirements on recipients, often without much regard to whether these requirements really move many persons into wage-paying jobs, and those whose main concern is to minimize the requirements recipients must satisfy.

It is time we devoted more attention to another concern -- and established an alternative goal in this area. Our main goal should be to structure a work component of the food stamp program that results in subsequent gains in employment and earnings for recipients. Improved employment and earnings will help both the recipient and the taxpayer at the same time.

Remarkable as it may seem, there has been very little focus in the food stamp program on how best to achieve this goal. I think all of us can agree that we ought to be able to find ways to be more effective in this area.

Fortunately, while the food stamp progrm may not have directed much attention to this issue, many other researchers have been studying employment and training programs for years. Last fall, the Department of Health and Human Services and the Institute for Research on Poverty at the University of Wisconsin jointly sponsored a three-day conference of leading experts from across the country on what has worked and what has not in the poverty area. The conference produced a general consensus in the employment and training area. It was that programs providing "shallow" or limited employment and trianing assistance generally yield little in the way of results, while more intensive programs -- in which individuals receive more intensive, in-depth attention -- are more successful.

The current food stamp work program is, in most states, an example of the type of "shallow" program that is less successful. Large numbers of recipients receive little or no services or attention, other than to register for work and hand in forms showing they contacted a prescribed number of employers. Approaches such as this are unlikely to produce significant gains in employment and earnings.

What is needed, I think, is to encourage states to experiment with approaches that take fewer of the food stamp work registrants, and provide more in-depth, intensive attention to these persons. This can be done through job clubs, job search assistance, or other means. But given the limited funds available for food stamp work programs, any effort that attempts to cover all or even most of the large numbers of work registrants is likely to spread its resources so thin that it ends up producing little in the way of gains for anyone.

Quality Control

I would like to turn now to the issue of error rate sanctions. The latest data from FNS show that error rates dropped to 8.4% in FY 1983. The continued, steady drop in error rates is encouraging. It indicates that current error reduction efforts are having some success.

At the same time, error rates are still well above 5%. Under current law, states are now heading toward error rate sanctions of approximately $200 million a year for errors in FY 1985 and all succeeding years. This is a hefty level of sanctions.

I am concerned that more severe sanctions will not result in additional error reduction, but simply larger penalties. Since the current sanctions are already so large (for FY 1985 and subsequent years), and since an error rate sanction of any substantial amount can be devastating for the career of a welfare commissioner, the pressure to reduce error rates is already intense. Simply making the sanctions $300 million a year rather than $200 million a year is not likely to change much here.

At the same time, the increased sanctions, themselves, could have very unfortunate effects. Faced with a large sanction, a welfare commissioner is likely to turn to the one part of his budget over which he has most control -- AFDC benefit levels. It is not difficult to cover an increased sanction amount by reducing or forgoing a cost-of-living adjustment in AFDC. With AFDC benefits having fallen 33% since 1970 and with poverty having grown more among children in recent years than among any other part of the population, this would be a deeply unfortunate outcome.

I must say that I do not see the evidence indicating that the current sanction system enacted in 1982 is ineffective. Error rates have dropped significantly since then. I do not believe that the case has been made for overhauling the current sanction system and increasing the already-large penalties required under current law by 50% or 100%, as most proposals for change in this area would do.

Block Grant proposal

Finally, I would like to comment on the block grant proposal. No proposal before the Committee concerns me more than this.

I believe there are three very serious problems with the proposal. First, it would not enable benefits to be targeted to meet current needs. While the Department states that the annual block grant amounts could be adjusted by the Secretary to reflect changes in unemployment, the fact is that any such adjustments will be made on unemployment rates at some point in the past. It is not possible to have grant amounts reflect current unemployment and economic conditions. This is a particular problem because economic conditions can change rapidly, and with little advance notice. For example, in July 1981, hardly anyone was anticipating the massive increase in unemployment which started that September.

In addition, the block grant proposal has no adjustment for demographic changes in a state's population, but these changes can also have a significant effect on the number of persons who are in need.

Second -- and perhaps most important -- the block grant proposal poses a very serious risk to poor children. In welfare programs where states have been free to establish their own benefit levels, benefits for families with children have been set far below benefits for the elderly and disabled. In over half the states, no cash benefits at all are provided to families with children if both parents are present, no matter now destitute the family may be. The fact that combined AFDC and food stamp benefits have deteriorated nearly back to 1960 levels is a direct result of many states' placing low priority on aiding poor children and their families.

To make matters worse, the states that have done most poorly by their poor children are precisely the states where poverty is most severe and problems such as infant mortality most acute. These are the southern states, where large numbers of poor children are black. I greatly fear for these children if a block grant is enacted.

Adding to my fears is my belief that, if enacted, the block grant could eventually become attractive to many states as a way to avoid the political embarrassment of error rate sanctions. Once a state opts into a block grant, all sanctions would disappear. The pressure to reduce error rates would greatly diminish.

For all these reasons, I believe the block grant proposal, which presents a profound philosophical shift in the basic nature of this program, should not be adopted.

UNITED STATES CONFERENCE OF MAYORS

STATEMENT OF
THE HONORABLE RAYMOND L. FLYNN
MAYOR OF BOSTON

Mr. Chairman and members of the Committee, I am Raymond L. Flynn, Mayor of Boston and Chairman of the Conference of Mayors' Task Force on Joblessness and Hunger. I appreciate the opportunity to appear before you today on behalf of our Conference to submit some new and disturbing data on hunger in 21 of our Task Force cities. I will also address some issues relating to food stamps and other nutrition assistance programs -- programs up for reauthorization this year.

The Status of Hunger in Cities

At your request, Mr. Panetta, we surveyed the cities on our Task Force to determine the extent to which hunger exists today. We are distressed by what we discovered. After fifteen months of general economic recovery, the problem of hunger in our cities has continued to grow, and is expected to increase further over the next year. Every city save one reports that the demand for emergency food assistance has increased over the last year, and 81 percent of the cities expect it will continue to grow during the next year. Clearly many people in our cities have not benefited from what now appears to be a very selective economic recovery.

As an indicator of increased demand for emergency food, two-thirds of the cities report that there are now more emergency food facilities -- that is soup kitchens, food pantries or shelters which serve free meals -- than there were one year ago. The number of facilities has increased by 21 percent in the Task

Force cities. In my own City of Boston we have seen a 54 percent increase in the number of food pantries since 1983.

While the creation of these additional facilities shows the extraordinary effort being made in cities to meet the demand for emergency food, we still see that in many cities it is not possible to keep pace. In 70 percent of the cities, emergency food facilities are unable to meet the demand. On average 24 percent -- nearly one-fourth -- of the emergency demand goes unmet. Over six out of ten cities are forced to turn people away.

The main problem in these cities appears to be inadequate supplies of food. Chicago, Cleveland, Louisville, Nashville, New York City, Philadelphia, San Francisco, Seattle, Washington D.C. and my own Boston all lack adequate supplies of food. In several of the cities, food pantries cannot open every day because they run out of food. In Boston most pantries are able to provide only a three-day supply of food each month to a family in need, even though that family may have to wait two weeks for food stamps. Cleveland officials say that the largest facility, the Hunger Task Force of the Greater Cleveland Interchurch Council, can give just one bag of groceries to a family every two months -- sometimes every three months. They suggest that more surplus commodities be made available. Chicago reports that the demand at food pantries always goes up toward the end of the month, when food stamps run out.

Saint Paul officials are concerned because, while emergency facilities in the city do have sufficient quantities of food, there is a problem with quality. The facilities provide whatever food is available, but cannot provide a nutritious diet. Last year, Minnesota Food Share raised $200,000 which was used to supplement existing stores with nutritious foods that would balance a family's diet. This year they could raise only $20,000. In Washington D.C. several providers in the USDA surplus commodities program say that a greater variety of foods, including canned meats and vegetables and peanut butter, should be available for distribution through the food pantries. Such an effort, they say, would encourage the recipients of commodities to prepare and eat more nutritious meals.

All of the cities save one report that the number of families and children requesting emergency food assistance during the last year has increased, on average by 35 percent. On average in the Task Force cities, 70 percent of the recipients of emergency food assistance are families and children and 30 percent are single adults.

Several cities report particular problems with elderly and disabled people who are unable to come to emergency food assistance facilities. Chicago has a two year waiting list for home delivered meals. Only five percent of the low income elderly in Chicago are served through the senior meals programs. Philadelphia says more attention must be given to getting food to the senior citizens and disabled people who cannot get themselves to the food.

Several cities also express special concerns regarding children. Chicago officials say that many children are risking prolonged malnutrition. Cook County Hospital has seen increasing numbers of malnourished children, more cases of dehydration, and a 20 percent increase in children with low growth rates. Only 41 percent of the caseload eligible for the Women, Infants and Children Program can be served in Chicago. While Catholic Charities has instituted a similar program, it is small and cannot fill the gap. Salt Lake City officals tell us they can verify that children in the school lunch program do not get a full meal over the weekend, when school is not in session. They suggest that weekend meals or food packages to take home would help.

The growing problems of hunger that this data clearly shows are most disturbing to me and to the Conference of Mayors. Not only have these problems, which were initially attributed to the recession, not gone away, but they have increased. This must be kept in mind as you consider the reauthorization of the food stamp program, surplus commodities distribution and other domestic food assistance programs.

Federal Food Assistance

The fundamental federal food assistance programs -- food stamps, child nutrition and WIC -- enable many American citizens to acquire and maintain a minimally adequate diet and, until recently, together made significant progress in reducing hunger and malnutrition in this nation. The new data we have introduced this morning confirms what we have known for a long time: The magnitude of the problem is much greater than the resources available to us. Only the federal government has sufficient resources to meet the needs that exist. These programs are the most efficient way to address the needs and should be funded at adequate levels.

Last year, Mr. Panetta, you introduced legislation which would, as you said then, make a downpayment on hunger. This year similar legislation has been introduced again, by Mr. Leland, who chairs the Select Committee on Hunger. These proposals would go a long way toward responding to the problems of hunger which too many of our citizens face:

- Many people who need food stamps or other forms of assistance are apparently not eligible for them or do not know how to get them.
- Many of those who do get food stamps are unable to purchase sufficient food for themselves and their

families; the food stamp benefit together with any other income available for food is simply not enough.

In the food stamp program, provisions which would increase the earned income deduction, separate and increase shelter and dependent care deductions and revise the elderly medical deduction would help benefit levels to be more responsive to a household's other expenses. Increasing the financial resources deduction will make the program more sensitive to the inflation of the last several years. Basing the benefit levels on actual food prices, rather than a certain percentage of the Thrifty Food Plan, will help to make benefit levels more responsive to food costs. Automatic eligibility for all AFDC and SSI recipients will help to simplify administration and assure that these people, who clearly are eligible, are able to receive food stamps.

In the area of child nutrition, the WIC program should be expanded so that the caseload is increased by 250,000 per year and the U.S. Department of Agriculture should be required to distribute money evenly throughout the year. For the school lunch and breakfast programs, the income standard of eligiblity should be raised to 195 percent of poverty, the cost of reduced price lunch and breakfast programs should be lowered, the reimbursement for the breakfast program should be increased, and AFDC and food stamp household members should be automatically eligible. A total of three meals and two snacks should be available through the Child Care Food Program. The eligiblity of private non-profit sponsors should be restored in the Summer Food Service Program. The budget proposals to cut these programs will only take food away from children in need and should be strongly opposed.

Clearly the distribution of surplus commodities should be continued and expanded and efforts should be made to boaden the selection of foods available. In addition the Temporary Emergency Food Assistance Program, through which some of the costs of distributing surplus commodities are reimbursed, should be continued and expanded.

Finally, the emergency food and shelter program operated by the Federal Emergency Management Administration through the National Board of Voluntary Agencies must be continued. With its current appropriation of $70 million the program will run through July of this year. Since it began in 1983 it has provided a total of 26.5 million additional nights of shelter and 129.8 million additional meals through appropriations which totaled $160 million. As the new data on hunger which I have provided to you shows, the emergency still exists. We need continued federal help to respond to it.

A Concluding Comment

I would like to call for a much higher level of domestic food assistance so that we could make even greater strides in eliminating hunger -- a problem which is absolutely unacceptable in this nation. But in light of the current budget deficit debate, we have proposed a modest effort -- one consistent with proposals already before you.

We have all seen the proposals to cut domestic spending next year so that the federal deficit can be lowered. Most of the proposed cuts are in programs that affect the people of our cities.

We have told the Administration and the Congress that cities will accept a fair share of the deficit burden. We always have -- and I expect we always will.

But surely there are some problems, some needs, some obligations in this nation that transcend budgetary concerns -- that must be addressed regardless.

I am suggesting that hunger is such a problem, such a need, such an obligation.

I am suggesting that arguments about limited resources ring hollow when hunger is the subject.

I am suggesting that beyond national fiscal responsibility there is national human decency.

(Attachment follows:)

U.S. CONFERENCE OF MAYORS
TASK FORCE ON JOBLESSNESS AND HUNGER
STATUS REPORT ON HUNGER
RESPONSES FROM TWENTY-ONE CITIES
APRIL, 1985

City	Over the last year the demand for emergency food assistance	Over the next year the demand for emergency food assistance is expected to	Are there more emergency food assistance facilities in your city now than there were one year ago?	The percentage by which emergency food assistance facilities has increased is	Are emergency food assistance facilities able to meet the demand?	The percent of need that goes unmet is	Do emergency food assistance facilities in your city turn away people in need?	The percentage of recipients of emergency food assistance who are families and children is	The percentage of recipients of emergency food assistance who are single adults is?	Have the number of families and children requesting assistance increased?	The percentage increase of families and children requesting assistance is
Boston	Increased	Increase	Yes	54	No	30-40	Yes	10 (soup kitchens) 80 (pantries)	90 (soup kitchens) 20 (pantries)	Yes	80-85
Charleston	Increased	Increase	No	—	NA	NA	No	NA	NA	Yes	10
Chicago	Increased	Stay the same	Yes	NA	No	NA	Yes	80	20	No	NA
Cleveland	Increased	Stay the same	No	—	No	10	Yes	60	40	Yes	NA
Denver	Increased	Increase	Yes	40	No	40-45	Yes	70	30	Yes	40-45
Detroit	Increased	Stay the same	Yes	NA	Yes	NA	No	80	20	Yes	NA
East Orange	Decreased	Stay the same	No	—	Yes	—	No	50	50	Yes	5
Hartford	Increased	Increase	Yes	10	Yes	—	No	50	50	Yes	10
Kansas City	Increased	Increase	Yes	5	No	30	Yes	90	10	Yes	100
Louisville	Increased	Increase	Yes	15-20	No	NA	Yes	65	35	Yes	NA
Nashville	Increased	Increase	Yes	NA	No	NA	Yes	NA	NA	Yes	NA
New Orleans	Increased	Increase	No	—	Yes	--	No	85	15	Yes	53
New York City	Increased	Increase	Yes	10	No	NA	Yes	50	50	Yes	20
Philadelphia	Increased	Increase	Yes	15	No	10	Yes	75	25	Yes	15
Saint Paul	Increased	Increase	No	—	Yes	—	No	78	22	NA	NA
Salt Lake City	Increased	Increase	Yes	20	No	20	No	75	25	Yes	15-20
San Antonio	Increased	Increase	No	—	Yes	10	No	80	20	Yes	7
San Francisco	Increased	Increase	Yes	25	No	15	Yes	80	20	Yes	45
San Juan	Increased	Increase	No	—	No	50	Yes	95	5	Yes	50
Seattle	Increased	Increase	Yes	10-20	No	20	Yes	70	30	Yes	10
Washington, DC	Increased	Increase	Yes	20	No	NA	Yes	NA	NA	Yes	NA

TESTIMONY OF

THOMAS F. WENNING
EXECUTIVE VICE PRESIDENT
AND GENERAL COUNSEL
OF THE
NATIONAL GROCERS ASSOCIATION

Mr. Chairman:

On behalf of the National Grocers Association, it is my pleasure to appear before this Committee to discuss the Food Stamp Authorization Legislation for Fiscal Year 1986. At the outset, I wish to extend to the Chairman and to the Committee, my appreciation for allowing the N.G.A. the opportunity to testify on this subject of great importance to our members and our nation. This Committee continues to play a crucial role in the development and on-going effectiveness of our federal food programs which are a vital service to our nation's needy and an important ingredient in the direction of our domestic agricultural policy.

N.G.A. is a national trade association representing 2,000 retail grocers, 62 wholesale distribution centers serving 28,000 retail food stores and 60 state and local associations, which in totality represent over 45,000 retail grocers. Our members have long cooperated with the U.S. government in its efforts to provide a variety of service to consumers in communities throughout our nation. In assuming their responsibilities, retailers have always performed a voluntary service, with no special charges being imposed for their services, nor any special funds being reimbursed to our members by the U.S.D.A. for their efforts. Retail grocers have strongly supported this continuing effort because we recognize that the food stamp program is an efficient and effective means to assist those in need.

My testimony, Mr. Chairman, will be focusing on two issues of substantial importance to our members: the practice by banks of assessing handling fees to retailers who process food stamps, and the draft proposal from the Department of Agriculture which will seek legislation to impose a $50.00 licensing fee on the same retail food stores who participate in the food stamp program.

Let me begin, by discussing the increasing trend of financial institutions to charge a fee for the deposits of food stamps.

Mr. Chairman, as you and the Committee members are well aware, federal regulations are very explicit in prohibiting food retailers from any type of discrimination against food stamp recipients by charging increased prices for the commodities or, by imposing special fees. The Food Stamp Act of 1977, U.S.C., Section 201 is clear in stating in part:

> Coupons issued and used as provided for in this chapter shall be redeemable at face value by the Secretary through the facilities of the Treasury of the U.S. 7 USC Section 2012(a)

Such U.S.D.A. regulations require retail stores who participate in the program to:

> "accept coupons for eligible foods at the same prices and on the same terms and conditions applicable to cash purchases of the same foods at the same store." 7CFR Section 278.2(b).

Even were these regulations not present, Mr. Chairman, N.G.A. would steadfastly oppose any policies of passing on costs to the recipients as being inimical to the spirit and intent of the food stamp legislation and counterproductive to the millions of recipients who are attempting to make ends meet.

We recognize, Mr. Chairman, that all businesses have the need to cover their own costs for going about their work. However, we strongly feel on the question of food stamps that financial institutions should seek to cooperate with retail grocers who participate in this program voluntarily, receiving no special fees and who incur clear administrative costs for their involvement. This federal program requires the businesses and organizations throughout our nation to lend a helping hand, and the banks should be no exception.

Mr. Chairman, as you are personally aware, we have covered this ground before. Last year, Jim Stoll, testifying on behalf of the National Grocers Association, provided some personal illustrations of this practice. Mr. Stoll noted that this problem was recurring throughout the country--with supermarkets in Cleveland, Ohio being assessed a fee ranging between $.02 and $.05 per coupon and retailers in Utah being charged a fee ranging between $.01 and $.03 per coupon. Throughout this time, these combined obstacles represent a negative cash flow for the retailer--all of this in an industry where the average annual margin of profit is about 1%. In short, Mr. Chairman, our members, like so many other small working businesses throughout our country make a series of professional sacrifices to comply with the law and to meet our commitment to those who are less fortunate than we are.

In attempting to cope with these policies, our members have found them neither isolated nor minimally imposed. Early industry surveys reveal that 25 of the grocers were being charged bank fees. While the penalty fee differs by state, the average fee is in the range of $.02 or $.03 per coupon. Nationalized such a fee would impose added costs to the retail food stores of about $60 million or more per year, certainly not a paltry sum. As the data and the evidence continue to accumulate, Mr. Chairman, we see this significant problem escalating, potentially threatening and undermining the future of this federally funded program.

N.G.A. and other food retail trade associations met with the U.S.D.A. seeking to resolve this problem. As we testified last year, the

Food Stamp Act of 1977, gives sufficient authority to the Secretary of Agriculture, working cooperatively with the Department of Treasury, to regulate financial institutions participating in the food stamp program redemption process. Section 2019 of the law, 7 USC states in part:

> Regulations issued pursuant to this chapter shall provide for the redemption of coupons accepted by retail food stores through approved wholesale food concerns or through financial institutions which are insured by the Federal Deposit Insurance Corporation, with the cooperation of the Department of Treasury.

Regrettably, the U.S.D.A. does not share our interpretation of the regulations and has informed N.G.A. that they do not intend to initiate any rulemaking procedures "to preclude financial institutions from charging fees for the redemption of food stamp coupons." They base their refusal on the possibility that "the rising number of financial institutions where retailers may redeem coupons will increase the competition and thus help curtail financial institution service fees." What has in fact occurred, Mr. Chairman, is that there are now more financial institutions partaking in the redemption process, and engaging in the practice of assessing fees to the retailers. The free market does not always engender financial relief for all parties concerned, and this is but another example where the money is floating to the top when it should be staying in the pocket of the consumer.

N.G.A. and the food retailers reluctantly have turned to the Congress to address this issue. This inequitable situation continues to grow, and threatens to undermine the very integrity of a major component of the Food Stamp Program. An appropriate remedy to this evil was introduced by Congressman Leon Panetta, H.R. 5151, the Hunger Relief Act of 1984, which included essential language to deal with this problem.

This measure was passed by the full House last year, but similar legislation, introduced in the Senate, was not considered by that body.

Mr. Chairman, we were most grateful last year when you and the House Agriculture Committee exhibited the foresight and leadership to introduce that legislation and to insure its passage in the House. We are most anxious for this measure to be re-introduced and strongly believe that with companion legislation already having surfaced on the Senate side (S.280) that favorable consideration by the entire Congress is possible this year. Such a measure, will insure fair and equitable treatment for food stamp recipients and retailers, and will restore the traditional balance that has served this program so very well through the years.

A related concern, Mr. Chairman, is a recent proposal from the U.S.D.A. seeking to impose a $50.00 licensing fee on retail food stores participating in the food stamp program.

The rationale for this proposal is somewhat less than clear. The U.S.D.A. not only fails to effectively deal with the issue of bank charges, but compounds the problem by adding a licensure fee. This is yet another burden placed on retailers by poorly conceived government policy. The retailer, who merely processes the food stamps, is once again in the middle--assisting the government with a program to aid our nation's poor who are most in need of food assistance, and at the same time fending off the over zealous regulator.

There are, Mr. Chairman, only two possible rationales for this concept. First, that such a fee would deter potential fraudulent operators, with questionable food stamp operating practices from continuing their participation in the program. There has not, Mr. Chairman, been a single bit of data offered to support this thesis. There are no examples provided for illustration, let alone to justify a policy of this type, that would demonstrate that retail food stores anywhere are taking advantage of this program. Nor, should I add, is there any reason to believe that even if such data were provided, that a licensure fee such as this would deter them. People who might wish to take advantage of this program will do so in spite of this fee. It would only serve to punish the honest and reputable retailer who is attempting to serve his country and his community at the same time.

Finally, Mr. Chairman, I think we all share the concern that this tax would set the precedent for further increases in upcoming years to serve U.S.D.A.'s thirst for revenues to cover alleged growing administrative costs. We should bear in mind the increasing burdens that the Perishable Agriculture Commodities Act, also administered by this department, has placed on these same retailers. The license fee has grown 18 fold since its adoption. It started out as a $10.00 fee and that has grown to the point where retailers now pay a minimum of $180.00 per year, to a maximum of $1,200.00 per year. The old axiom still applies--if we can find a way to levy a tax, we will--and in this instance the tax will increase more and more to fill this insatiable void. We should anticipate that this tax will be no exception. This fee is a clear step backward in assuring recipients access to retail food stores. This is a proposal, Mr. Chairman, that should be squashed before it has the chance to be hatched. We respectfully request the support of the Committee in voicing your disapproval of this idea and defeating the licensure should it come before the Congress.

In summation, Mr. Chairman, our members call upon this committee to continue the work that they have been doing, retaining the balance, fairness and continuity in these very important programs. Our association supports legislation that prohibits all institutions participating in the food stamp program, including retail grocery stores, wholesalers and banks to assess or pass on any fees or charges in connection with the processing or redemption of food stamps. We believe that this policy very carefully reflects the equity that was originally intended in the legislation, and hope you will join us in continuing to work in that direction.

Statement of

Dent L. Temples, Jr.

Piggly Wiggly Southern

Vidalia, GA

Mr. Chairman, I am Dent L. Temples, Jr., Vice President of Piggly Wiggly Southern, headquartered in Vidalia, GA. I appreciate the opportunity to be here today to speak on behalf of my company and the Food Marketing Institute.

Piggly Wiggly is privately owned grocery chain operating 82 stores in central and southeast Georgia. Our stores are located in small towns and cities.

The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1500 members--food retailers and wholesalers and their customers. FMI's domestic member companies operate more than 17,000 retail food stores with a combined annual sales volume of $130 billion--half of all grocery sales in the United States. More than three-fourths of the FMI's membership is composed of independent supermarket operators or small regional firms.

Since most food stamp redemptions are in grocery stores, our industry is an important link in the delivery of food assistance to Americas most needy citizens. Our unique relationship with the food stamp program, provides FMI's members a continuing opportunity to see the workings of the program on a daily basis in every section of the country and type of community. FMI and its members have long supported the food stamp program as the best and most effective use of taxpayers dollars in eliminating hunger in America.

We have opposed and continue to oppose any budgetary reductions of the food stamp program that would impose upon individual recipients a greater percentage reduction than is being imposed on the recipients of other programs. We believe strongly in the commitment made more than a decade ago by Congress and the Administration to wipe out hunger in America. The food stamp program is our most effective tool in fulfilling that commitment.

Last year, Mr. Chairman, FMI testified before you and the members of the Subcommittee about a matter that greatly affected us and may have, if not solved, a significant impact on the future of the entire food stamp program. I am referring specifically to grocery stores being charged a fee by a growing number of banks for redeeming food stamps.

As you recall, with the cooperation of your staff and many of those involved, you included in your food stamp bill a simple provision to solve this problem. The provision declared "no financial institutions may impose or collect from a retail food store a fee or other charge for the redemption of coupons that are submitted to the financial institution in a manner consistent with their requirements, other than any requirements relating to cancellations of coupons, for the presentation of coupons by financial institutions to the Federal Reserve Banks."

This provision was retained in the bill passed by the House of Representatives. Unfortunately, the Senate never acted on the legislation, and so the problem persists. If anything, the practice of banks charging fo depositing food stamps is becoming more wide spread and threatening.

We are grateful to you, Mr. Chairman, Mr. Emerson and the other members of the Committee for understanding the nature of this problem and providing the leadership to solve it. I don't propose to take the time to repeat the arguments on the merits of the case, but I would like to submit for the record a copy of the testimony given by FMI last year. We ask, simply, that you include in this year's bill the same provision you had in last year's bill.

Over the years, FMI has worked with Congress and the Administration in exploring ways to improve the efficiency and effectiveness of the food stamp program. For example, the Food Stamp Act Amendments of 1982 gave the Secretary of Agriculture authority to test "alternative" systems of delivering food stamp benefits. As the legislation moved through Congress, FMI expressed the interest of its members in cooperating with USDA in such tests. We did ask however, that the cost of such tests and transfer systems not be imposed upon retail food stores participating in the food stamp program. We felt then, as we do today, that automation and delivery equipment should not be an expense imposed on participating stores. With the help of this Committee, the Food Stamps Act now recognizes that the costs will be considered part of the overhead of the food stamp program and so borne by the Department of Agriculture.

Today, approximately 140 food retailers, USDA, the state of Pennsylvania and Planning Research Corporation are participating in a pilot test of an electronic benefit transfer system of food stamp benefits in the Reading, Pennsylvania area.

On three occasions FMI has had the opportunity to observe the test project in Reading and see some of the problems being encountered in this initial project. We remain optomistic that the problems can be resolved, and continue to support the efforts of Congress and USDA to improve the efficiency of the delivery of program benefits.

In particular, we were distressed when delays of up to 15 minutes occurred at the check out counters during the early days of each benefit month. Through the cooperation of everyone involved, the problem has largely been solved. Some difficulties remain, including the inability of the system to establish a satisfactory audit trail, but we have confidence that the remaining difficulties are solvable. Most of the retailers and food stamp recipients with whom we have spoken like the system and are increasingly comfortable with it. We look forward to continuing close cooperation with USDA on the Reading project and the independent appraisal that will be forthcoming at the end of the year. Let me add, Mr. Chairman, that FMI would be pleased to assist in arranging a tour of the Reading project for members of the Subcommittee and/or staff.

As the food industry moves further into the era of computers, through scanning, ATM machines, and point of sale devices, we ask that retailers continue to be included in the development of guidelines that the Department of Agriculture and Congress may consider for food stamps and electronic transfer of program benefits. Food stamp transfer systems that would be required at check out counters must be compatible with existing check out systems.

Mr. Chairman, let me comment briefly on other food stamp proposals that are being suggested this year. As you are aware we have had only a relatively short time to examine the Administration's bill.

Our industry not only supports, but has demonstrated as well, our cooperation in efforts to reduce fraud, waste and abuse in the food stamp program. Our record of constructive participation is well known by members of this Committee and by USDA.

Therefore, it was very disquieting to learn that consideration is being given to charging each store a $50.00 annual fee to participate in the food stamp program. To be blunt, we consider this proposal outrageous. While the amount of the individual store fee may not appear prohibitive, it fails to recognize the retailers current contributions to the program and clearly establishes a dangerous revenue precendent. When USDA is hit by another budget crunch, a partial solution would be to increase the retailers fee. Escalating fees have become common fiscal practices.

It is well know that retailers operate on the slenderest of margins. A well run company hopes to net one cent on every dollar of sales. Already we know that the overhead costs of servicing food stamp customers exceeds that for non-food stamp customers. The transaction at the check out counter takes more time, there are more steps necessary in counting, checking, bundling and stamping the coupons and in the accounting practices that follow. We accept these costs because we support the public policy that gave rise to the food stamp program. To add to those non-reimbusable costs strike at the very concept of fairness. Therefore we ask that you totally discard the entire concept.

The Administration offers three other changes in the running of the program. But first, let me put store abuse in context. There are approximately 230,000 authorized retail stores in the food stamp program. In 1984, 2% of that number were investigated by USDA. Of all those stores, less than 1/2 of 1% were sent notices that adverse actions were to be taken against them. As of February 27, 1985, a grand total of 125 cases were in the process of judicial review. This is a reduction of 17% from the 1982 figure. That is out of a total of 230,000 retail stores in the program.

Now, Mr. Chairman, we believe those who launder food stamps, who engage in fraud and who try to profit illegally from the program should be prosecuted and punished, but not at the price of endangering the due process rights of those of others who work hard to make certain all of the rules are followed. The major abuses in the program exist at the issuance level, not at redemption time. The trouble is the public sees the redemption efforts in the stores, but not at issuance. USDA should spend its energy -- and taxpayer's money -- where the problems are and that's at issuance.

We question a provision which deals with judicial review of USDA disqualification for those accused of food stamp law violations. The Administration proposes to amend the law so that retailers which USDA finds have abused the program, can be prevented from redeeming food stamps during the district court trial or appeal period. It does this by changing the standard upon which the court may grant a stay of USDA's determination so that a stay may be granted only upon a strong showing that the applicant is likely to prevail on the merits of the case. This is a more difficult standard than the generally prevailing law concerning the grant of judicial stays to Administrative decisions.

This seems to us, Mr. Chairman, very similiar to throwing the baby out with the bath water. Why should a more stringent rule apply to appeals from food stamp disqualification than from any other type of administrative decision? It seems to us reasonable that the appeals process for food stamp violators should not be more simple than for others, but neither should it be more difficult.

The Administration has included proposals to prevent retailers who have been disqualified from the program from selling their stores in essentially sham transactions by requiring the seller to pay a stiff money penalty from the remaining period of the disqualification.

The difficulty in this proposal is that -- while they would undoubtedly discourage sham sales -- they also would place heavy burdens on legitimate transfers. This could disadvantage industry members and may well be poor public policy, since it may be wise to encourage disqualified operators to sell stores to legitimate concerns that would operate the food stamp program in proper fashion and thus benefit their communities and the program. To prohibit the acceptance and redemption of food stamps by a successor until the disqualified operator pays what could be a substantial fine hardly promotes sales to legitimate businessmen. Rather than making a legitimate sale more difficult, a better solution might be to give USDA discretion to prevent readmittance into the program when the transaction is a sham.

Finally, the Administration proposes to share information about retailers with state agencies administering the WIC program.

The food industry generally would not object to the use of such information by state agencies in the WIC program. The proposal, however, does not spell out exactly how this information may be used. Moreover, there is no assurance that the various state agencies receiving the information will confine its use to WIC purposes and refrain from improperly making it public. Federal law carries sanctions, some of which are severe, against persons who release confidential business information. The various states, however, may not adequately protect the confidential business information they receive. As a general proposition, the less dissemination of confidential business information by government the better.

May I again thank you and the members of the Sub-committee for inviting me here today. Of course, I'll be pleased to try to respond to any questions you may have.

(Attachments follow:)

Steve Alterman

Testimony

House Agriculture Subcommittee on Domestic Marketing

Consumer Relations and Nutrition

April 26, 1984

My name is Steve Alterman, I am Vice President of Food Giant, Inc. I appreciate the opportunity to be here today to speak on behalf of my company and the Food Marketing Institute.

Food Giant is an Atlanta Georgia based owner operator of 86 supermarkets and wholesale supplier to more than 220 independent retailer food stores in Georgia and Alabama with combined retailer sales representing nearly 600 million dollars.

The Food Marketing Institute (FMI) is a nonprofit association that conducts programs in research, education, and public affairs on behalf of its 1,300 members--food retailers and wholesalers and their customers in the United States. FMI's member companies operate over 17,000 retail food stores with a combined annual sales volume of $130 billion--half of all grocery sales in the United States. More than three-fourths of FMI's membership is comprised of independent supermarket operators or small regional firms.

Almost all food stamp redemptions are made in grocery stores. Because of the unique relationship between our industry and the food stamp program, FMI's members have a continuing opportunity to see the workings of the program on a daily basis in every section of the country and type of community.

As a result, FMI and its members have long supported the food stamp program as the best and most effective use of taxpayers dollars in eliminating hunger in America.

Over the years, FMI has worked with Congress and the Administration in exploring ways to improve the efficiency and effectiveness of the program.

The grocery industry is currently facing a problem that has the potential of seriously damaging the food stamp program. Grocery stores are being assessed a charge by a growing number of banks for redeeming food stamps. The impact of new technology and the effect of bank deregulation gives banks the ability to identify their costs for providing various services and they have chosen, in turn, to impose charges on food retailers.

Of course, retailers have long known that food stamp business imposed extra handling costs, but the law prohibits those costs from being passed on to food stamp customers. Those customers cannot -- and should not -- in any way be discriminated against. Not by forcing them to use a special check out lane, not by charging higher prices.

But now, Mr. Chairman, the banks sense an opportunity to force retailers to pay for some of their cost of doing business. In short, the retailer and ultimately the low income food stamp recipients and other consumers, are to absorb the banks overhead.

Why?

Last summer, FMI conducted a survey to determine the extent of this problem. The results of the survey are attached.

Of the Independent operators who responded, 16% are assessed a charge averaging 3¢ per coupons. Of the larger companies that responded 49% are assessed a charge averaging 2.95¢ per coupon. Charges to retail grocers range from a fee of 2¢ per coupon to 6¢ per coupon. If the banks charge at the high end of the current range, this could result in charges of $156 million per year.

Last summer FMI, and others met with the American Banker's Association at the Department of Agriculture to attempt to resolve the problem of costly bank fees. Unfortunately, our meetings were most unsatisfactory because of the bankers' unwillingness to suggest anything other than that retailers ought either to change banks, or drop out of the food stamp program. Hardly constructive suggestions! And of course, no new services are being provided to justify these fees.

Our industry sought regulatory relief. In September, FMI presented Secretary Block with a legal memorandum suggesting that this problem could be resolved through the existing authority of USDA and the Treasury Department. Congressman Emerson and Senator Dole also asked the department to look into this matter.

Last December, USDA advised us that while they did have the authority, they would not initiate a rulemaking to preclude financial institutions from charging fees for the redemption of food stamp coupons.

Our last alternative is to seek a legislative remedy.

While food retailers obviously have an economic interest in the programs we believe that this issue is one of fairness and equity. We believe the intent of Congress was to prohibit all parties from charging extra to use food stamps.

FMI has estimated that the direct cost of handling food stamps in supermarkets is $288 per store per week, or approximately $15,000 per store each year.

If we assume $15,000 per store per year is a conservative estimate of the direct retailers cost of handling food stamps, then the total industry cost for the 28,900 supermarkets in the United States is over 434 million dollars per year. This figure does not include the 94,000 grocery stores not large enough to be classified as supermarkets (those with total annual sales volume below 2 million dollars).

We cite these figures to prove banks are not alone in bearing the cost of serving food stamp customers. They are alone in trying to shift these costs to someone else.

Food Stamps are part of a program to serve the needy created by society at large, not by any one industry. In so far as possible, the burden of this program should be borne by society at large. Grocers treat these costs as part of their general business overhead, bankers should do no less.

Mr. Chairman I hope this committee can appreciate the implications for the future of the food stamp program. Retailers operate on a 1% net margin. In addition, we are prohibited from passing on our additional costs to the food stamp customer.

However, in the case of the banking industry, this may be a new revenue opportunity. Not only are the banks increasingly collectings fees, but in addition, the questions of "float" has been raised. It is very difficult for our industry to assess that practice. Some banks credit our retailers for depositing food stamps on the same day and some do not and those that do may require compensating balances.

Mr. Chairman, we request that the committee prohibit these banking charges. They are aimed at the neediest members of our society. Surely America's financial institutions will not object to participating in a program designed to feed the hungry.

Mr. Chairman, thank you for asking our industry to present its views. I hope we can continue to participate with your committee in finding a fair and equitable solution.

Government Relations
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FMI
FOOD MARKETING INSTITUTE

June 27, 1983

RESULTS OF FMI'S FOOD STAMP SURVEY

In May and June FMI mailed a questionnaire to you concerning fees that some banks have been charging food distributors to redeem food stamps. Your overwhelming interest and cooperation have resulted in our receiving a 43 percent response rate, almost unheard of among those knowledgeable about survey results! One FMI member commented: "On three separate occasions, banks began to charge a fee for processing food stamp coupons. In all three instances, we changed banks after our efforts to negotiate failed." Thanks to every FMI member company who took the time to complete the information. Your responses will be most useful as FMI seeks a legislative or regulatory remedy to the problem of these expensive fees.

The Results

We reached three main conclusions based on the questionnaire information:

1) The average handling fee for companies now paying a fee is 2.95 cents per individual food stamp coupon;

2) Independent operators tend to pay a higher fee than do large companies. This is due in large part to the fact that it is more feasible for larger companies to sort and bundle their coupons which are then processed by banks at a lower fee; and,

3) The trend in number of companies paying a food stamp coupon handling fee is up for all companies, but the increase since 1981 has been especially dramatic for independent operators.

METHODOLOGY

In May and June, FMI sent surveys to each retail member company to collect data on food stamp usage, potential problems and, more importantly, bank handling fees. Completed surveys were received from 414 retailers; 73% from independent retailers, those with 10 or fewer stores; 23% from retailers with over 10 stores; and 4% from companies with an undisclosed number of stores. This response represents 43% of all FMI domestic member retail companies. This survey represents a total of over 11,500 supermarkets with an average of 114 stores per larger company and 2.5 stores for the independents.

SPECIAL INFORMATION ON A TIMELY CONGRESSIONAL OR REGULATORY TOPIC

OVERVIEW

Service Fee

The results of the survey show that 23% of the companies pay a bank fee for food stamp handling. Of the larger companies that responded to the survey, 49% pay a service charge, while approximately 16% of the smaller companies reported that they do. These results are similar to the results from the 1982 Speaks report which surveyed food stamp usage with data collected from 1981.

The trend in number of companies paying a handling fee is up dramatically for independent operators.

Table 1
Percentage of Companies Paying a Fee

	1981	1983
Independent Operators	7%	16%
Large Companies	40% *	49%
Total	13%	23%

* Those with sales in excess of $250 million annually.

Cost per Coupon

Of those companies who said that they pay a fee, the final results show that companies pay 2.95¢ per single coupon. Larger companies pay 2.86¢ and independent companies pay 3¢. If coupons are bundled, usually by denomination, in groups of 100, the cost per coupon is less than 1¢, about 0.9¢. The process of bundling is difficult for many of the companies. For instance, there is a time lag for smaller stores before enough coupons are collected and the physical sorting process is cumbersome, requiring much time and labor. Again drawing on information generated from 1982 Speaks, the average fee per coupon was 1.13¢, lower than in 1982.

Total Service Charge

For those 59 companies who responded to this question, the total amount spent on handling was $2,561,057.

Food Stamps as a Percent of Sales

The average for food stamps as a percent of sales for all respondents was 5.12%. For larger companies the average was 4.19%, for independent companies the average was 5.49%, and for those companies without a store count the average was 3.72%.

Number of Coupons

The average number of food stamp coupons received per store was 92,144. Broken down by company type, we find larger companies receiving 118,857 and smaller companies with 79,393 coupons per store.

States where Companies Pay a Fee

For those companies who reported paying a bank service fee, these surveys were sorted according to where the companies were located. Following are the results by type of company.

Independent companies that pay a fee are located in the following states: Hawaii, Idaho, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas, Utah, Virginia, Washington, Wisconsin and West Virginia.

Larger companies that pay a fee are headquartered in the following states: Arizona, California, Maryland, Florida, Georgia, Idaho, Illinios, Indiana, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Virginia, Washington and Wisconsin.

Problems in Administering the Program

Twenty-seven percent of the companies did not answer the question concerning administration problems with the food stamp program. Of those who did respond, almost 90% reported no problems; 83.6% of the larger companies said they did not have any problems and 91.4% of the independents said there were no problems.

FOOD STAMP SURVEY

BANK FEES

1. Does your company handle/receive food stamps?

Yes 98% No 2%

2. Does your company pay a service charge to a bank to handle your food stamps?

Yes 23% No 77%

If yes, please complete based on how your company is charged:

	Total	Chains	Independents
Cost of Service Charge as a Percent of Total Value Redeemed	0.36%		
Amount per Food Stamp Coupon when processed individually	2.95¢	2.86¢	3.07¢
Amount per Food Stamp Coupon when processed in bundles	0.9¢		

What was the total service charge paid by your company for the handling of food stamps in 1982?

$2,561,057, total reported by 59 companies

Note: Not all companies accumulate these data.

3. What percent of your company's 1982 sales were in food stamps?	5.12%	4.19%	5.49%

4. What was the average number of food stamp coupons received in 1982 per store?

92,144 food stamp coupons/store

STATEMENT

of the

AMERICAN ASSOCIATION OF RETIRED PERSONS

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I AM ROBERT MAXWELL, A MEMBER OF THE BOARD OF DIRECTORS FOR THE AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP). ON BEHALF OF OUR 18 MILLION MEMBERS, I THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY REGARDING THE FOOD STAMP PROGRAM, ITS SUCCESS IN FULFILLING ITS MANDATE WITH RESPECT TO OLDER AMERICANS, AND ITS NEED FOR IMPROVEMENT.

THE ASSOCIATION, TOGETHER WITH A NUMBER OF OTHER NATIONAL AGING ORGANIZATIONS AND PUBLIC INTEREST GROUPS, HAS ENDORSED SEVEN SPECIFIC PROPOSALS WHICH WE BELIEVE WILL ENABLE THE FOOD STAMP PROGRAM TO REACH MORE ELIGIBLE OLDER PERSONS AND TO SERVE THEM BETTER THAN IS THE CASE UNDER CURRENT LAW. THESE PROPOSALS WOULD:

1. STRENGTHEN THE MEDICAL EXPENSE DEDUCTION BY
    - CHANGING THE THRESHOLD FOR THE MEDICAL EXPENSE DEDUCTION FROM $35 TO 5 PERCENT OF GROSS INCOME;
    - PERMITTING SPECIAL, PHYSICIAN - PRESCRIBED DIETS TO BE AN ALLOWABLE MEDICAL EXPENSE FOR ELDERLY AND DISABLED PERSONS; AND
    - PROVIDING A STATUTORY BASIS FOR CURRENTLY ALLOWABLE MEDICAL EXPENSES
2. MAKE BURIAL FUNDS A SEPARATE, ALLOWABLE RESOURCE UP TO $1500.
3. MAKE SSI RECIPIENTS CATEGORICALLY ELIGIBLE FOR THE FOOD STAMP PROGRAM.
4. RAISE THE LIQUID ASSET LIMITS FROM $1500 TO $2200 FOR NON-ELDERLY HOUSEHOLDS AND FROM $3000 TO $3500 FOR ELDERLY HOUSEHOLDS.
5. STRENGTHEN INFORMATION NOTIFICATION PROCEDURES AND OUTREACH TO POTENTIAL OLDER FOOD STAMP RECIPIENTS BY
    - REQUIRING THE SOCIAL SECURITY ADMINISTRATION (SSA) TO ASSIST ALL SSI AND SOCIAL SECURITY PARTICIPANTS WITH FOOD STAMP PROGRAM INFORMATION AND WITH STREAMLINED FOOD STAMP APPLICATIONS IN SSA OFFICES; AND

- MANDATING STATE OUTREACH TO ELDERLY AND DISABLED, POTENTIALLY ELIGIBLE FOOD STAMP RECIPIENTS.

6. FACILITATE THE USE OF FOOD STAMPS BY ELDERLY AND DISABLED PERSONS TO PURCHASE LOW-PRICED MEALS IN RESTAURANTS.

7. ADJUST HOUSEHOLD DEFINITION SO AS NOT TO PENALIZE FRAIL ELDERLY FOOD STAMP RECIPIENTS ASSISTED BY CARETAKERS.

I WILL EXPLAIN THESE PROPOSALS IN SOME DETAIL LATER IN MY REMARKS, BUT WOULD FIRST LIKE TO PROVIDE SOME CONTEXT FOR THE ASSOCIATION'S CONCERN AND RECOMMENDATIONS.

THE IMPORTANCE OF GOOD NUTRITION TO THE HEALTH OF OLDER PERSONS CANNOT BE OVERSTATED. BALANCED, NUTRITIONAL DIETS CAN HELP OLDER PERSONS AVOID CHRONIC AILMENTS AND HIGH MEDICAL EXPENSES; CONVERSELY, POOR NUTRITION IS ASSOCIATED WITH VULNERABILITY TO ILLNESS AND CAN LEAD TO HOSPITALIZATION, PREMATURE INSTITUTIONALIZATION OR DEATH.

OBTAINING A BALANCED DIET IS EXTREMELY DIFFICULT FOR ANYONE SUBSISTING CLOSE TO THE MARGIN, AND ESPECIALLY FOR THOSE ADVANCED IN AGE. IT HAS BECOME FASHIONABLE TO THINK THAT OLDER AMERICANS HAVE OVERCOME THEIR TRADITIONAL INCOME DISADVANTAGE, HAVING ACHIEVED A POVERTY RATE SLIGHTLY LOWER THAN THAT OF THE GENERAL POPULATION. IN FACT, THE VAST MAJORITY OF OLDER PERSONS REMAIN FIXED IN THE LOWER REACHES OF THE INCOME DISTRIBUTION, WITH MORE THAN ONE IN FIVE -- OR ALMOST 6 MILLION PERSONS -- HAVING INCOME IN THE POOR OR NEAR POOR CATEGORY. THE MEDIAN ELDERLY HOUSEHOLD INCOME CURRENTLY STANDS AT ABOUT HALF THAT OF THE NON-ELDERLY HOUSEHOLD. UNFORTUNATELY THE ECONOMIC DISADVANTAGE PERSISTS, DESPITE SOCIAL SECURITY COLA'S AND OTHER INFLATION PROTECTION MEASURES.

In addition, actions taken in previous budgets have already significantly reduced benefits in programs serving older Americans. Such benefit reductions have been compounded by the fact that elderly out-of-pocket health care payments have increased tremendously. In the end, statistics indicate that older persons are currently critically dependent upon programs like Social Security and Medicare for basic income support and health care protection. Substantial cutbacks in inflation protection and increases in copayments for these and other income security programs are being comtemplated again even now.

The implications of past and potential cutbacks are most serious for the oldest, and for those belonging to minority groups. Women in their late seventies and eighties are less likely to have worked and acquired income of their own. Those who did work received much lower wages than those retiring now, and were in the labor force for shorter terms. Now they must get by on minimal Social Security and/or SSI benefits and often no pension benefits at all. For older minority persons, the disadvantages of aging are compounded by the effects of a lifetime of institutionalized racism. Hence, we find that older women as a group experience a 17 percent poverty rate, while a stunning 41.7 percent poverty rate prevails among older women who are black. These are the people who most clearly are in need of the assistance provided by the Food Stamp program.

AARP strongly supports the Food Stamp Program. It is an unparalleled instrument of national policy to ensure a minimum level of nutrition for low income Americans, regardless of the region in which they may reside or the level of assistance provided -- or not provided -- by their state or local government.

Since its inception in 1964, the Food Stamp program has enabled millions of older persons to increase their food purchasing power and, thus, improve their standard of living overall. Yet, recently, recurrent reports of growing hunger across the nation have raised doubts as to the effectiveness of the program in addressing the need that exists. Studies and surveys have been undertaken to determine the extent and causes of this problem, including appointment by the President of a Task Force on Food Assistance in 1983. Together, the results of these studies point to the need for immediate restorations of benefits lost over the past several years. Especially, they indicate the urgency of updating all components of the Food Stamp formula to reflect the real nutrition needs of the people the program was designed to serve, and the actual cost of meeting those needs. Above all, the findings of these studies demonstrate the compelling need for effectively implemented outreach, as significant numbers of eligible households are not being served.

Nowhere is the evidence of this fact more serious than with respect to older persons. According to USDA-sponsored research, while two-thirds of all persons eligible for food stamps participate in the program, only half of eligible elderly households participate.

PARTICIPATION IS ESPECIALLY POOR AMONG OLDER PERSONS LIVING ALONE, AND THE OLDER ELIGIBLE PERSONS BECOME, THE LESS LIKELY THEY ARE TO RECEIVE FOOD STAMPS.

PROFESSOR RICHARD D. COE, WHOSE RESEARCH IN THIS AREA IS PARTICULARLY USEFUL, POINTS OUT THAT ELDERLY UNMARRIED WOMEN FORM THE BULK OF NON-PARTICIPATING ELDERLY HOUSEHOLDS, ACCOUNTING FOR OVER ONE-THIRD OF ALL NON-PARTICIPATING ELIGIBLE HOUSEHOLDS. HE ALSO INDICATES THAT ELIGIBLE NON-PARTICIPANTS TEND NOT TO BE WELL EDUCATED, WITH 40 PERCENT HAVING LESS THAN NINE YEARS OF FORMAL EDUCATION. IN ADDITION, HE SHOWS THAT PARTICIPATION RATES ARE LOWER IN RURAL AREAS THAN IN METROPOLITAN AREAS, AND THAT ELIGIBLE PERSONS WHO ARE NOT CONNECTED TO OTHER PARTS OF THE PUBLIC ASSISTANCE SYSTEM -- SUCH AS SSI -- ARE MUCH LESS LIKELY TO RECEIVE FOOD STAMPS THAN THOSE WHO ARE. HIS CONCLUSION IS THAT LACK OF INFORMATION AND MISINFORMATION REGARDING ELIGIBILITY FOR THE FOOD STAMP PROGRAM ARE THE PRIMARY BARRIERS TO PARTICIPATION AMONG ALL ELIGIBLE GROUPS.

OTHER STUDIES AND SURVEYS TEND TO CORROBORATE THE NEED FOR ACTION. THE TEXAS SENATE INTERIM COMMITTEE ON HUNGER AND NUTRITION REPORTED LASY YEAR THAT THERE HAD BEEN 513 DEATHS, PRIMARILY AMONG ELDERLY PERSONS, IN TEXAS DUE TO MALNUTRITION BETWEEN 1979 AND 1982. IT NOTED THAT ONLY 41 PERCENT OF TEXANS ELIGIBLE FOR FOOD STAMPS HAD RECEIVED THEM. ALSO, PRIVATE SECTOR SURVEY RESPONDENTS REPORTED THAT THE DEMAND FOR EMERGENCY FOOD ASSISTANCE HAD SKYROCKETED, AND THAT THEY WERE FORCED TO TURN AWAY AT LEAST 20,000 REQUESTS FOR FOOD EACH MONTH DUE TO LACK OF RESOURCES.

The Texas study points out that elderly persons are particularly sensitive to the problem of hunger, and that -- consistent with national trends -- the state's older population is growing rapidly. Its survey of congregate and home-delivered meal recipients revealed that without such a program, 34 percent would go hungry; among recipients of home-delivered meals alone, 62 percent say they would go hungry without these meals. Yet over three time the number of older persons served by these programs are officially poor or near poor. The study concludes that the Food Stamp program has not kept pace with the growing need for food, and that the number of people who are legitimately in need of help and yet are refused, left out or kept off the program, exceeds the number who abuse it.

Similar conditions have been reported in New York, where a study (conducted by Montefiore Medical Center in the Bronx) released last year documented that hunger is a major problem, particularly among such vulnerable populations as the frail elderly. It noted that government assistance was inadequate for those interviewed, estimating that 52 percent of them might be eligible for food stamps but were not receiving them, while many of those who were receiving food stamps reported that the assistance was not enough for the entire month. Likewise, in Chicago and in other cities across the nation, growing hunger has been reported and concern has been expressed that, if nothing is done, irreparable harm will come to the health of affected older persons, as well as others.

Two other studies to which I would draw your attention have particular relevance to low income older persons. The Ohio Senate

HUNGER TASK FORCE OF 1984 "FOUND A SIGNIFICANT RELATIONSHIP BETWEEN A FAMILY MEMBER REQUIRING A SPECIAL DIET AND THAT FAMILY USUALLY NOT HAVING ENOUGH TO EAT....... SPECIAL DIETS MENTIONED BY THE RESPONDENTS INCLUDE DIETS FOR TREATING DIABETES, HYPOGLYCEMIA, AND OBESITY." ELDERLY PERSONS ARE AMONG THOSE MOST OFTEN PLACED ON SPECIAL DIETS BY PHYSICIANS BECAUSE THEY SUFFER FROM DIABETES OR OTHER CHRONIC DISEASES. SECONDLY, WE UNDERSTAND THAT THIS SUBCOMMITTEE IS UNDERTAKING ITS OWN REVIEW OF THE THRIFTY FOOD PLAN (TFP), AND THAT THE PRELIMINARY DRAFT SUGGESTS THAT PLANNING MENUS WITHIN THE BUDGET CONSTRAINTS OF THE TFP TO MEET THE NEEDS OF PATIENTS WHO HAVE DIABETES OR WHO ARE ON "LOW SODIUM" DIETS WOULD BE DIFFICULT. IN ADDITION, THE DRAFT POINTS OUT THAT INDIVIDUALS WHO ARE FUNCTIONALLY ILLITERATE (AS COE'S FINDINGS SUGGEST MANY UNSERVED OLDER PERSONS MAY BE) WOULD LIKELY LACK THE SKILLS TO FOLLOW COMPLEX DIETARY PRESCRIPTIONS WITHIN THE BUDGETARY LIMITS OF TFP.

WHAT WE KNOW ABOUT HOUSEHOLDS WHO ARE PARTICIPATING IN THE FOOD STAMP PROGRAM TENDS TO BE CONSISTENT WITH WHAT WE HAVE OBSERVED ABOUT THE NEEDIEST, AND MOST VULNERABLE, ELDERLY PERSONS.

THE 1982 FOOD AND NUTRITION SERVICE CHARACTERISTICS STUDY TELLS US THE FOLLOWING:

- HOUSEHOLDS WITH ELDERLY MEMBERS, NUMBERING SOME 1.5 MILLION, ACCOUNTED FOR ALMOST 20 PERCENT OF THE TOTAL FOOD STAMP CASELOAD.
- ABOUT 90 PERCENT OF ALL ELDERLY PARTICIPANTS LIVED ALONE OR WITH ONE OTHER PERSON (USUALLY ELDERLY AS WELL).
- NEARLY 69 PERCENT OF ALL ELDERLY HOUSEHOLDS WERE HEADED BY WOMEN. ABOUT 56 PERCENT WERE SINGLE ELDERLY WOMEN LIVING ALONE.

- THE PERCENTAGE OF MINORITY HOUSEHOLDS PARTICIPATING IN THE PROGRAM (THOUGH WE DO NOT KNOW HOW MANY OF THESE ARE ALSO AGED) IS DISPROPORTIONATELY HIGH: BLACK HOUSEHOLDS MADE UP 37 PERCENT OF ALL FOOD STAMP RECIPIENTS; HISPANIC HOUSEHOLDS, 1.6 PERCENT; AND AMERICAN INDIANS, 1.0 PERCENT.
- ABOUT 19 PERCENT OF PARTICIPATING FOOD STAMP HOUSEHOLDS RECEIVED INCOME FROM SOCIAL SECURITY, AVERAGING ABOUT $273 PER MONTH. ABOUT 41 PERCENT OF THESE HOUSEHOLDS HAD NO OTHER SOURCE OF INCOME; ABOUT 39 PERCENT ALSO RECEIVED SSI. A SMALL PERCENTAGE OF HOUSEHOLDS RECEIVED NOTHING BUT SSI.

IT IS EVIDENT, THEREFORE, THAT THE FOOD STAMP PROGRAM IS EFFECTIVELY TARGETED TO THOSE OLDER PERSONS MOST IN NEED. WHAT INCREASINGLY CONCERNS OUR ORGANIZATION AND OTHERS, HOWEVER, IS THE LIMITED DEGREE TO WHICH THE PROGRAM REACHES THE MANY HOUSEHOLDS WHO QUALIFY FOR ASSISTANCE; IN ADDITION, BASED ON THE REPORTS CITED ABOVE, WE QUESTION THE ADEQUACY OF THE AMOUNT OF ASSISTANCE PROVIDED. FINALLY, WE BELIEVE THAT OLDER PERSONS WHOSE INCOME OR ASSETS PLACE THEM JUST OUTSIDE THE ELIGIBILITY SCREEN NOW IN EFFECT OUGHT TO HAVE ACCESS TO BENEFITS.

THERE ARE MANY COMPONENTS TO THE PROBLEMS JUST IDENTIFIED. INCREASED RESTRICTIONS IN SOME ELIGIBILITY STANDARDS, AND FAILURE TO UPDATE OTHERS IN LINE WITH INFLATION OVER THE YEARS, ARE PARTLY TO BLAME. THE ASSETS LIMIT, FOR INSTANCE, WAS SET IN 1971 AT $3000 FOR HOUSEHOLDS OF TWO OR MORE MEMBERS, INCLUDING ONE ELDERLY MEMBER, AND $1500 FOR ALL OTHER HOUSEHOLDS, INCLUDING ONE-PERSON HOUSEHOLDS. IT HAS NOT BEEN RAISED SINCE, DESPITE THE FACT THAT TO EQUAL THE PURCHASING POWER IT REPRESENTED IN 1971, THE LIMIT WOULD HAVE TO BE RAISED TO APPROXIMATELY $7700 FOR "ELDERLY" HOUSEHOLDS AND $3850 FOR "NON-ELDERLY" HOUSEHOLDS. THE EFFECT OF LETTING THIS LIMIT SHRINK, IN REAL TERMS, THROUGH CONGRESSIONAL INACTION HAS BEEN TO PROGRESSIVELY REDUCE THE NUMBER

OF LOW INCOME PERSONS WHO QUALIFY FOR ASSISTANCE. NO WONDER THE PRESIDENT'S TASK FORCE CALLED FOR SUBSTANTIAL INCREASES IN THESE LEVELS.

IN 1981, CONGRESS REPEALED A LIBERALIZATION IN THE MEDICAL EXPENSE DEDUCTION FOR THE ELDERLY SCHEDULED TO TAKE EFFECT THE FOLLOWING YEAR. THE PLANNED IMPROVEMENT WOULD HAVE LOWERED FROM $35 TO $25 THE THRESHOLD ABOVE WHICH MEDICAL EXPENSES COULD BE DEDUCTED FROM INCOME. THIS PROVISION STILL NEEDS ADJUSTMENT. MOREOVER, THE COST OF SPECIAL RESTRICTED DIETS ARE SPECIFICALLY EXCLUDED FOR CONSIDERATION AS A MEDICAL EXPENSE UNDER CURRENT LAW (DOG FOOD FOR A SEEING EYE OR HEARING DOG, BY CONTRAST, IS INCLUDED). WE DON'T THINK THIS MAKES SENSE. YET EVEN TIGHTER REGULATIONS, REMOVING SOME OF THE DEDUCTIBLE EXPENSES NOW PROVIDED FOR IN THE STATUTE, HAVE RECENTLY BEEN SUGGESTED. OUR PROPOSALS WOULD ATTEMPT TO REMOVE BARRIERS TO PARTICIPATION CAUSED BY THESE FACTORS, AMONG OTHERS.

WITH REGARD TO THE THRIFTY FOOD PLAN, THE CONCLUSION WE DRAW FROM A REVIEW OF AVAILABLE RESEARCH AND THE EXPERIENCE OF PARTICIPANTS IS THAT IT IS SIMPLY TOO LEAN. WHILE NUTRITIONISTS DIFFER AS TO ITS ADEQUACY ON PAPER, WHEN TRANSFERRED FROM THE REALM OF THEORY TO THE "REAL WORLD" OF HIGH-PRICED, LOW-INCOME NEIGHBORHOOD MARKETS; COSTLY DIETARY RESTRICTIONS; INADEQUATE OR ABSENT STORAGE AND COOKING FACILITIES; AND ORDINARY CONSUMER FOOD WASTAGE, THE THRIFTY FOOD PLAN DOES NOT DELIVER THE LEVEL OF ASSISTANCE IT PROMISES. ADD TO THESE REAL WORLD CONDITIONS ADMINISTRATIVE PROCEDURES SUCH AS ADJUSTING FOOD STAMP ALLOTMENTS ONLY ONCE A

A YEAR (WHICH CAUSES BENEFITS TO LAG 3 TO 15 MONTHS BEHIND ACTUAL FOOD PRICES), AND IMPOSING STATE SALES TAXES (WHICH CAUSES AFFECTED HOUSEHOLDS TO LOSE 3 TO 6 PERCENT OF THEIR FOOD STAMP ALLOTMENTS IN SOME SEVENTEEN STATES), AND THE "HARD CASH" VALUE OF THE THRIFTY FOOD PLAN DECLINES CONSIDERABLY, WITH VARIATIONS FROM STATE TO STATE.

WE DO NOT CLAIM TO OFFER A COMPREHENSIVE SOLUTION TO THESE PROBLEMS. WE BELIEVE, HOWEVER, THAT THE MODEST ADMINISTRATIVE REFORMS AND ADJUSTMENTS PROPOSED BELOW WILL HAVE A SIGNIFICANT POSITIVE IMPACT BOTH ON THE LEVEL OF PARTICIPATION BY OLDER PERSONS IN THE FOOD STAMP PROGRAM, AND ON THE ADEQUACY OF THE BENEFITS THEY RECEIVE.

1. STRENGTHEN THE MEDICAL EXPENSE DEDUCTION

   A. CHANGE THE THRESHOLD FOR THE MEDICAL EXPENSE DEDUCTION FROM $35 TO 5 PERCENT OF GROSS INCOME.

      THIS CHANGE WOULD RESULT IN AN AVERAGE THRESHOLD OF $18 ABOVE WHICH MEDICAL EXPENSES COULD BE DEDUCTED. THE 5 PERCENT LEVEL ACCORDS WITH THE STANDARD APPLIED TO MORE AFFLUENT AMERICANS WHEN CALCULATING THEIR INCOME TAXES; ONLY 5 PERCENT OF THEIR GROSS INCOME MUST BE SPENT FOR MEDICAL EXPENSES BEFORE THE MEDICAL DEDUCTION IS TRIGGERED. EXPENDITURES ABOVE 5 PERCENT ARE CONSIDERED "EXTRAORDINARY" -- AND SHOULD BE FOR LOW INCOME OLDER AMERICANS AS WELL.

   B. PERMIT SPECIAL, PHYSICIAN - PRESCRIBED DIETS TO BE AN ALLOWABLE MEDICAL EXPENSE FOR ELDERLY AND DISABLED PERSONS.

      SPECIAL DIETS TO TREAT SUCH CONDITIONS AS DIABETES AND HYPERTENSION ARE OFTEN NECESSARY FOR OLDER PERSONS, AND THEY REQUIRE LARGER EXPENDITURES FOR FOOD THAN DOES A NORMAL DIET. IT IS THEREFORE FAIR AND REASONABLE TO INCLUDE SUCH COSTS AS MEDICAL EXPENSES.

   C. PROVIDE A STATUTORY BASIS FOR CURRENTLY ALLOWABLE MEDICAL EXPENSES

      REGULATIONS NOW DEFINE WHICH MEDICAL EXPENSES ARE ALLOWABLE AS DEDUCTIONS. THE STATUTE SHOULD BE MORE

EXPLICIT TO ENSURE THE CONTINUED DEDUCTABILITY OF DENTAL, PHYSICAL THERAPY AND OTHER MEDICAL EXPENSES WHICH ARE FREQUENTLY USED BY THE ELDERLY AND DISABLED.

2. MAKE BURIAL FUNDS A SEPARATE, ALLOWABLE RESOURCE UP TO $1500.

   CURRENT LAW ALLOWS SSI AND MEDICAID RECIPIENTS TO MAINTAIN A SEPARATE ACCOUNT DESIGNATED FOR BURIAL COSTS, AND BECAUSE SUCH A FUND IS NOT ALLOWABLE UNDER THE FOOD STAMP PROGRAM, SOME SSI RECIPIENTS ARE PREVENTED FROM RECEIVING FOOD STAMP BENEFITS. THIS CHANGE WOULD PROVIDE FOR GREATER CONSISTENCY AMONG THESE PROGRAMS AND WOULD ALLOW OTHERWISE ELIGIBLE PERSONS TO SET ASIDE A SMALL AMOUNT OF MONEY FOR BURIAL COSTS, A MATTER OF GREAT CONCERN TO MOST AGED PERSONS.

3. MAKE SSI RECIPIENTS CATEGORICALLY ELIGIBLE FOR THE FOOD STAMP PROGRAM.

   THIS AMENDMENT WOULD SIMPLIFY APPLICATION PROCEDURES, REDUCE ADMINISTRATIVE PAPERWORK, AND ASSIST ELIGIBLE HOUSEHOLDS WHO DO NOT SEPARATELY PURSUE FOOD STAMP APPLICATION AFTER RECEIVING SSI CERTIFICATION. IT WOULD ALSO ASSIST PERSONS INELIGIBLE FOR FOOD STAMPS DUE TO HIGH STATE SUPPLEMENTATION LEVELS. THE PROVISION WAS INCLUDED IN H.R. 5151 LAST YEAR AND WAS RECOMMENDED BY THE PRESIDENT'S TASK FORCE ON FOOD ASSISTANCE.

4. RAISE THE LIQUID ASSET LIMITS FROM $1500 TO $2200 FOR NON-ELDERLY HOUSEHOLDS AND FROM $3000 TO $3500 FOR ELDERLY HOUSEHOLDS.

   AS NOTED PREVIOUSLY, CURRENT ASSET LIMITS HAVE NOT BEEN UPDATED SINCE THEY WERE SET IN 1971. THE PROPOSED LEVELS WOULD PARTIALLY OFFSET INFLATIONARY INCREASES SINCE THAT TIME. THEY CONFORM TO THE RECOMMENDATIONS OF THE PRESIDENT'S TASK FORCE ON FOOD ASSISTANCE. THE NEW LEVELS SHOULD BE ADJUSTED ANNUALLY TO ACCOUNT FOR INFLATION IN THE FUTURE.

5. STRENGTHEN INFORMATION NOTIFICATION PROCEDURES AND OUTREACH TO POTENTIAL OLDER FOOD STAMP RECIPIENTS.

   A. REQUIRE THE SOCIAL SECURITY ADMINISTRATION (SSA) TO ASSIST ALL SSI AND SOCIAL SECURITY PARTICIPANTS WITH FOOD STAMP PROGRAM INFORMATION AND WITH STREAMLINED FOOD STAMP APPLICATIONS IN SSA OFFICES

      THE PROPOSED CHANGE REQUIRES SSA TO ASSIST ALL PARTICIPANTS (APPLICANTS AND RECIPIENTS) IN BOTH SSI AND SOCIAL SECURITY PROGRAMS. IT ALSO CLARIFIES THE REQUIREMENT IN EXISTING LAW SINCE 1977, WHICH SSA HAS NOT PROPERLY IMPLEMENTED, THAT IT ASSIST SSI RECIPIENTS IN EXECUTING A SIMPLIFIED FOOD STAMP APPLICATION IN SSA OFFICES. SINCE RESEARCH SHOWS

THAT ELIGIBLE PERSONS NOT CONNECTED WITH OTHER PARTS OF THE PUBLIC ASSISTANCE SYSTEM ARE ESPECIALLY UNLIKELY TO RECEIVE FOOD STAMPS, IT IS ESSENTIAL THAT APPLICATION FOR FOOD STAMPS BY SOCIAL SECURITY RECIPIENTS BE FACILITATED AS WELL.

B. MANDATE STATE OUTREACH TO ELDERLY AND DISABLED, POTENTIALLY ELIGIBLE FOOD STAMP RECIPIENTS.

FEDERAL SHARING OF OUTREACH COSTS SHOULD BE PROVIDED FOR AT A LEVEL OF 50-75 PERCENT. THE NEED HAS BEEN CLEARLY ESTABLISHED FOR AGRESSIVE OUTREACH TO OLDER, LOW INCOME PERSONS, ESPECIALLY OLDER WOMEN LIVING ALONE AND THOSE IN RURAL AREAS. FUNDS SHOULD BE AUTHORIZED FOR OUTREACH THROUGH CONGREGATE AND HOME-DELIVERED MEALS PROGRAMS, PARTICULARLY TO PERSONS PLACED ON WAITING LISTS FOR SUCH SERVICES, AND TO PERSONS IN AREAS UNSERVED BY OLDER AMERICANS ACT PROGRAMS.

6. FACILITATE THE USE OF FOOD STAMPS BY ELDERLY AND DISABLED PERSONS TO PURCHASE LOW-PRICED MEALS IN RESTAURANTS.

CURRENT LAW ALLOWS PERSONS WHO ARE 60 YEARS OF AGE OR OLDER TO USE FOOD STAMPS TO PURCHASE PREPARED MEALS AT RESTAURANTS, SENIOR CENTERS, ELDERLY HOUSING COMPLEXES AND SIMILAR INSTITUTIONS WHICH CONTRACT WITH THE STATES TO SERVE MEALS AT CONCESSIONARY PRICES. THESE RESTRICTIONS PUT UNNECESSARY BURDENS ON STATES AND PRIVATE FACILITIES AND UNDULY RESTRICT AVAILABILITY OF SERVICE TO FOOD STAMP RECIPIENTS. THE PROPOSED CHANGE WOULD PERMIT PEOPLE WITHOUT ACCESS TO OTHER MEAL PROGRAMS TO HAVE AN OCCASIONAL HOT MEAL AT NO ADDITIONAL EXPENSE TO THE GOVERNMENT. THE PROVISION WILL BE ESPECIALLY USEFUL TO SINGLE-ROOM OCCUPANTS WHO LACK STORAGE AND COOKING FACILITIES, AS WELL AS TO THOSE WHOSE PHYSICAL LIMITATIONS MAKE SHOPPING OR COOKING MORE DIFFICULT.

7. ADJUST HOUSEHOLD DEFINITIONS SO AS NOT TO PENALIZE FRAIL ELDERLY FOOD STAMP RECIPIENTS ASSISTED BY CARETAKERS.

ELDERLY RECIPIENTS SHOULD BE ALLOWED TO APPLY FOR FOOD STAMPS AS A SEPARATE HOUSEHOLD, REGARDLESS OF INCOME LEVEL OF CARETAKERS, WHEN THEY HAVE BEEN CERTIFIED AS UNABLE TO PURCHASE AND PREPARE THEIR OWN MEALS. PRESENT LAW REQUIRES THAT, FOR ELDERLY PERSONS WHO ARE TOO FRAIL TO PURCHASE AND PREPARE THEIR OWN FOOD TO APPLY FOR FOOD STAMPS AS A SEPARATE HOUSEHOLD, THE INCOME OF OTHER HOUSEHOLD MEMBERS CANNOT EXCEED 165% OF POVERTY. THIS PROVISION WAS ADDED TO THE LAW IN 1982 TO HELP ELDERLY RECIPIENTS WHO WERE UNABLE TO PURCHASE AND PREPARE THEIR

> OWN FOOD. INSTEAD, IT IS CAUSING PEOPLE TO LOSE FOOD STAMP ELIGIBILITY. CONFUSION ON THE PART OF CASEWORKERS WITH REGARD TO HOUSEHOLD DEFINITION RESTRICTIONS IS CAUSING ELDERLY RECIPIENTS TO BE WRONGLY DISQUALIFIED OR LOSE A PORTION OF THEIR BENEFITS. FOR ELDERS WHO CAN STILL PREPARE THEIR OWN FOOD, THERE IS NO RESTRICTION ON INCOME OF OTHER HOUSEHOLD MEMBERS. THEREFORE, PREVIOUSLY ELIGIBLE PERSONS ARE LOSING FOOD STAMP ELIGIBILITY WHEN THEY BECOME FRAIL.

MR. CHAIRMAN, I UNDERSTAND THAT CONGRESSMAN ROYBAL, CHAIRMAN OF THE SELECT COMMITTEE ON AGING, HAS DECIDED TO INTRODUCE LEGISLATION EMBODYING THESE RECOMMENDATIONS, WHICH HAVE BEEN ENDORSED BY THE LEADERSHIP COUNCIL ON AGING AS WELL. WE HOPE YOU AND OTHER MEMBERS OF THE SUBCOMMITTEE WILL CONSIDER THEM FAVORABLY FOR INCLUSION IN THE SUBCOMMITTEE'S BILL REAUTHORIZING THE FOOD STAMP ACT.

TWO FINAL POINTS I WOULD LIKE TO MAKE CONCERN THE "QUALITY CONTROL" ISSUE, OR STATE ERROR RATE SANCTIONS, AND THE ISSUE OF THE ADJUSTMENT FACTORS FOR ECONOMIES OF SCALE USED BY THE FOOD STAMP PROGRAM. BRIEFLY, THE ASSOCIATION OPPOSES EXCESSIVE ERROR RATE SANCTIONS AGAINST THE STATES, WHICH ARE LIKELY TO BE FINANCED BY CUTBACKS IN STATE FUNDING OF OTHER LOW INCOME PROGRAMS, SUCH AS SSI SUPPLEMENTS. SANCTIONS LEVIED SHOULD RECOGNIZE UNDERPAYMENTS AND WRONGFUL DENIAL OF BENEFITS AS WELL AS OVERPAYMENTS. PENALIZING THE STATES ONLY FOR OVERPAYMENT TENDS TO CREATE A PERVERSE INCENTIVE TO ERR AGAINST RECIPIENTS.

WITH REGARD TO THE ECONOMIES OF SCALE ISSUE, SINCE RELEASE OF THE PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL (THE GRACE COMMISSION RECOMMENDATIONS), THESE FACTORS HAVE INCREASINGLY COME UNDER SCRUTINY. THE GRACE COMMISSION REPORT SUGGESTS THAT

SMALL (ONE OR TWO PERSON) HOUSEHOLDS HAVE BEEN PROVIDED OVERLY GENEROUS ECONOMIES OF SCALE ADJUSTMENTS. IT RECOMMENDS THAT THESE ADJUSTMENT FIGURES BE MODIFIED TO REFLECT "HOW PEOPLE SHOULD, INSTEAD OF HOW THEY ACTUALLY DO, SPEND THEIR FOOD STAMP MONEY." THIS PROPOSAL WAS ESTIMATED IN 1983 TO PRODUCE SAVINGS OF $834 MILLION OVER THREE YEARS.

THESE SAVINGS, IT SHOULD BE NOTED, WOULD COME PRIMARILY AT THE EXPENSE OF LOW INCOME ELDERLY. EIGHTY-EIGHT PERCENT OF ALL ELDERLY PARTICIPANTS EITHER LIVED BY THEMSELVES OR WITH ONE OTHER PERSON IN 1982. AN ANALYSIS OF THIS RECOMMENDATION BY THE CENTER FOR BUDGET AND POLICY PRIORITIES INDICATED THAT, IF IT WERE IMPLEMENTED, ONE-FOURTH TO ONE-THIRD OF ALL ELDERLY FOOD STAMP HOUSEHOLDS WOULD BE TERMINATED FROM THE PROGRAM AND VIRTUALLY ALL THE REMAINING ELDERLY HOUSEHOLDS WOULD LOSE BETWEEN $132 AND $192 IN STAMPS PER YEAR.

ALTHOUGH THE GRACE COMMISSION REPORT CAME OUT 2 YEARS AGO, DEBATE CONTINUES AS TO WHETHER SUCH A RECOMMENDATION SHOULD BE IMPLEMENTED. WE WISH TO CALL TO YOUR ATTENTION THE FACT THAT OTHER STUDIES HAVE COME TO DIFFERENT, AND QUITE OPPOSITE CONCLUSIONS REGARDING THE ADJUSTMENT FACTORS FOR ECONOMIES OF SCALE IN THE THRIFTY FOOD PLAN -- IN SUM, THEY SUGGEST THAT THE TFP MAY NOT BE GENEROUS ENOUGH. CERTAINLY, THE EXPERIENCE OF CURRENT OLDER PARTICIPANTS IN THE FOOD STAMP PROGRAM DEMONSTRATES THAT A REDUCTION IN BENEFITS, WHETHER ACCOMPLISHED THROUGH ADMINISTRATIVE OR LEGISLATIVE ACTION, WOULD BE INAPPROPRIATE AND HARMFUL TO THEIR HEALTH. WE URGE YOU TO REJECT ANY SUCH PROPOSALS.

TO CONCLUDE, THE AMERICAN ASSOCIATION OF RETIRED PERSONS OFFERS THESE COMMENTS AND PROPOSALS IN THE SPIRIT OF STRENGTHENING A PROGRAM WE BELIEVE IS BASICALLY WORKING WELL. THE FOOD STAMP PROGRAM IS VERY IMPORTANT TO LOW INCOME OLDER AMERICANS. WE LOOK FORWARD TO WORKING WITH YOU TO SEE THAT IT CONTINUES SERVING ALL ELIGIBLE PERSONS WITH THE GREATEST POSSIBLE EFFECTIVENESS.

THE HONORABLE E. THOMAS COLEMAN
SUBCOMMITTEE ON DOMESTIC MARKETING
CONSUMER RELATIONS AND NUTRITION

APRIL 17, 1985

THANK YOU MR. CHAIRMAN. I APPRECIATE THE OPPORTUNITY TO OFFER SOME COMMENTS AT THESE HEARINGS. THE PURPOSE OF THESE HEARINGS IS TO DISCUSS AND RECEIVE TESTIMONY ON THE REAUTHORIZATION OF THE FOOD STAMP PROGRAM AND OTHER FOOD AID PROGRAMS UNDER THIS SUBCOMMITTEE'S JURISDICTION. TODAY, I WILL CONFINE MY REMARKS TO WHAT I BELIEVE IS THE MAJOR CHALLENGE TO THE FOOD STAMP PROGRAM AND THE WEAKENING OF THAT PROGRAM AS WE KNOW IT.

I AM REFERRING TO THE USDA'S PROPOSAL TO ALLOW ALL STATES TO TURN THE FOOD STAMP PROGRAM INTO A CASH GIVEAWAY PROGRAM. I OPPOSE THIS MEASURE. I BELIEVE IT IS A MISTAKE, JUST AS IT IS A MISTAKE TO CONTINUE TO PERMIT PUERTO RICO TO ISSUE CASH IN ITS FOOD ASSISTANCE PROGRAM. I HAVE OPPOSED THIS TREND TOWARD CASHING OUT THE FOOD STAMP PROGRAM BECAUSE I FIRMLY BELIEVE THAT THIS WILL MEAN A WEAKENING OF OUR EFFORT TO FEED THE POOR. THE ACTION TAKEN BY PUERTO RICO AND THE USDA TO TURN FOOD STAMPS INTO A CASH GIVEAWAY PROGRAM WAS WRONG AND HAS SET A DANGEROUS PRECEDENT.

AS YOU KNOW, SINCE 1982 PUERTO RICO HAS PARTICIPATED IN THE FOOD STAMP PROGRAM THROUGH A BLOCK GRANT, SET AT $825 MILLION EACH YEAR. THE BLOCK GRANT WAS DESIGNED TO ALLOW PUERTO RICO TO FORMULATE ITS OWN FOOD ASSISTANCE PROGRAM - ONE THAT WOULD BE RESPONSIVE TO THE NEEDS OF THE LOW INCOME PEOPLE LIVING IN PUERTO RICO.

THERE WERE SEVERAL REASONS FOR PROVIDING PUERTO RICO A BLOCK GRANT FOR FOOD ASSISTANCE. THE FOOD STAMP PROGRAM AS IT IS DESIGNED FOR THE STATES HAD CHANGED PUERTO RICO. ANY PROGRAM OF SUCH MAGNITUDE AS EXISTED IN PUERTO RICO WOULD HAVE TO HAVE A PROFOUND IMPACT ON THE ISLAND'S PEOPLE AND THEIR ECONOMIC STATUS. THIS WAS CERTAINLY THE CASE WITH THE FOOD STAMP PROGRAM.

PRIOR TO THE BLOCK GRANT ABOUT 58% OF THE PUERTO RICAN POPULATION RECEIVED FOOD STAMPS - 10% OF THE ENTIRE FOOD STAMP BUDGET WENT TO PUERTO RICO AND 10% OF THE PERSONAL INCOME OF THE PEOPLE OF PUERTO RICO WAS DERIVED FROM THE FOOD STAMP PROGRAM. IT SEEMED TO ME THAT THE OLD FOOD STAMP PROGRAM WAS INAPPROPRIATE FOR THE ISLAND AND A MAJORITY OF THE CONGRESS AGREED WITH THIS. FOOD STAMPS WERE NO LONGER A PROGRAM THAT RESPONDED TO THE FOOD NEED OF THE LOW INCOME AND THE UNEMPLOYED PEOPLE OF PUERTO RICO. INSTEAD THEY WERE A PART OF THE ECONOMY OF THE ISLAND - A BIG PART - AND A WAY OF LIFE FOR MANY.

ADDITIONALLY, THE FOOD STAMP PROGRAM CHANGED THEIR ECONOMIC BASE. LESS LAND WAS USED FOR FARMING AND CULTIVATED CROPLAND

FELL. MORE AND MORE THE PEOPLE OF PUERTO RICO HAD TO RELY UPON IMPORTED (AND THEREFORE MORE EXPENSIVE) FOODS. FOR ALL OF THESE REASONS I BELIEVED THAT PUERTO RICO SHOULD HAVE THE ABILITY TO DESIGN ITS OWN FOOD ASSISTANCE PROGRAM.

LEGISLATION WAS ENACTED AND BY JULY 1, 1982 PUERTO RICO HAD DESIGNED A FOOD PROGRAM FOR ITS LOW INCOME POPULATION AND BEGAN ISSUING BENEFITS.

HOWEVER, THESE BENEFITS WERE ISSUED IN CASH - BY A CHECK THAT COULD BE CASHED ANYWHERE, WITH THE MONEY SPENT ON ANY ITEM. WHAT HAPPENED TO THE $825 MILLION FOOD ASSISTANCE PROGRAM? IT BECAME THE $825 MILLION ASSISTANCE PROGRAM. FOR THE FIRST TIME THE FOOD STAMP PROGRAM WAS BEING ADMINISTERED WITH NEITHER STAMPS NOR NECESSARILY FOR FOOD.

MY DISAGREEMENT IS NOT ONLY WITH THE PUERTO RICO DECISION TO ISSUE CASH IN THEIR FOOD ASSISTANCE PROGRAM BUT ALSO WITH THE USDA FOR APPROVING SUCH A SYSTEM. AND NOW THEY HAVE FURTHER COMPOUNDED THE ERROR IN JUDGEMENT BY PROPOSING THAT EACH OF THE FIFTY STATES BE ALLOWED TO CASH OUT THE FOOD STAMP PROGRAM.

BY APPROVING THIS CASH OUT CONCEPT, THE USDA VIRTUALLY WASHED ITS HANDS OF RESPONSIBILITY OVER MILLIONS OF DOLLARS WORTH OF TAXPAYER'S MONEY. THEY APPEARED TO BE MORE CONCERNED WITH FORM RATHER THAN SUBSTANCE. SIMPLY TURNING OVER THE ADMINISTRATION OF a federal program to a state, a territory or in this case a Commonwealth isn't "New Federalism That's passing the buck--and in this case, literally passing millions of bucks.

During Agriculture Committee debate on the food assistance block grant program last year, there was no discussion of cashing-out the food stamp program in Puerto Rico. It was the Committee's clear intent to provide $825 million worth of food assistance to the Commonwealth under the Food Stamp Act. The Committee supported my amendment to require the Puerto Rico change its method of delivering benefits from cash to some other form. This amendment became a part of H.R. 6892, the 1982 Food and Agriculture Reconciliation Act and is found in Public Law 97-759.

I would remind the Members and particularly USDA that Congressional intent is not the basis for approval of the Puerto Rico cash food assistance program. The responsibility for that action rests with the USDA.

When the Puerto Rico plan was implemented as a cash out program, it changed from a food assistance program to a guaranteed income program, with - ironically - absolutely no guarantee that these millions of dollars will be used for food.

Obviously, many if not most, people in Puerto Rico will buy food with their cash grants. And yes, the present food stamp program

USING FOOD COUPONS DOES HAVE SERIOUS FLAWS. THERE IS ILLEGAL TRAFFICKING OF FOOD STAMPS, AS WELL AS THE SELLING OF FOOD STAMPS AT DISCOUNTS. STEPS ARE BEING TAKEN TO CRACK DOWN ON THESE ILLEGAL ACTIVITIES. FOR INSTANCE, ELECTRONIC TRANSFER SYSTEMS USING MAGNETIC ID CARDS ARE BEING TESTED IN MAJOR CITIES. ALSO, I SUCCESSFULLY SPONSORED LEGISLATION IN 1981 THAT GIVES TOUGHER LAW ENFORCEMENT POWERS TO USDA INSPECTORS GENERAL CHARGED WITH INVESTIGATING LARGE-SCALE ILLEGAL TRAFFICKING IN FOOD STAMPS. THAT LAW IS BEING USED TO TRACK DOWN THESE FRAUDULENT AND CRIMINAL ACTIVITIES.

THE FACT THAT WE HAVE SERIOUS ABUSES IN THE FOOD STAMP PROGRAM, HOWEVER, IS NO REASON TO GIVE UP ON ITS BASIC PREMISE--THAT OF PROVIDING FOOD ASSISTANCE TO NEEDY INDIVIDUALS. CASHING OUT THE FOOD STAMP COULD WELL MEAN OPENING THE DOOR TO NATIONWIDE REPUDIATION OF FEEDING OUR POOR.

IT SHOULD NOT BE ASSUMED THAT THIS IS A PAROCHIAL, UNIQUE ISSUE TO PUERTO RICO. I OPPOSE SUCH A DELIVERY SYSTEM IF OFFERED BY ANY STATE INCLUDING MY STATE OF MISSOURI. INDEED, CASHING OUT OF THE FOOD STAMP PROGRAM COULD BECOME A REALITY IN EACH OF THE FIFTY STATES IF THE USDA PROPOSAL IS ADOPTED. MANY MAY ARGUE THAT BY CASHING OUT THE PROGRAM, WE CAN GET RID OF FRAUD AND ABUSE IN FOOD STAMPS. SUCH AN ARGUMENT IS SPECIOUS. WE WILL NOT ERADICATE FRAUD IN THE FOOD STAMP PROGRAM THROUGH CASH OUT. WHAT WE WILL DO IS REMOVE THE ABILITY TO FIND OUT WHERE THE FRAUD EXISTS. THERE WILL BE NO AUDIT TRAILS, NO POSSIBILITY OF FINDING OUT WHO IS ABUSING THE PROGRAM.

HAVE WE GIVEN UP ON THE BATTLE ON FRAUD IN THE FOOD STAMP PROGRAM SO EASILY? DO WE WANT TO GIVE UP ANY ASSURANCES THAT THE POOR CAN RECEIVE FOOD ASSISTANCE? SURELY NOT. CASHING OUT THE FOOD STAMP PROGRAM IN PUERTO RICO HAS BEEN THE FIRST STEP TOWARDS CASHING OUT THE ENTIRE PROGRAM. THIS MAY ONLY BE THE BEGINNING. IF ONE CONSIDERS OTHER "NEW FEDERALISM" IDEAS, WE CAN CERTAINLY SEE OTHER PROGRAMS TURNING INTO CASH GIVEAWAYS. FOR EXAMPLE, IF EXTENDED TO THE SCHOOL LUNCH PROGRAM, CHILDREN WOULD DE DIRECTLY GIVEN MONEY TO PURCHASE THEIR LUNCHES IN THE HOPE THAT SOME OF IT WOULD ACTUALLY END UP IN THE SCHOOL CAFETERIA TO PAY FOR THEIR MEALS.

CASHING-OUT THE FOOD STAMP PROGRAM IS NOT A NEW IDEA; IT HAS BEEN DEBATED IN THE HALLS OF CONGRESS FOR YEARS. WHAT IS SURPRISING IS THAT THIS ADMINISTRATION WOULD CARRY OUT THE LIBERAL PHILOSOPHY OFFERED BY OTHERS, IN THE PAST, UNDER THE GUISE OF STATES' RIGHTS. POLICY DECISIONS ON PROGRAM GOALS MUST NOT BE BLURRED BECAUSE OF THE TYPE OF DELIVERY SYSTEM USED. IN PUERTO RICO THE GOALS HAVE BEEN WEAKENED. WE HAVE NO EVIDENCE THAT THE PROGRAM PROVIDES FOOD ASSISTANCE. I SHARE THE CONCERN EXPRESSED ABOUT THE DELAY IN THE USDA REPORT ON THE EFFECTS OF ISSUING CASH IN A FOOD ASSISTANCE PROGRAM. I URGE THE USDA TO SUBMIT THE REPORT AS EXPEDITIOUSLY AS POSSIBLE SINCE THE COMMITTEE WILL NEED TO RELY ON SUCH A REPORT IN EVALUATING THE PUERTO RICO PROGRAM. THIS IS AN IMPORTANT ISSUE THAT MUST BE FULLY DEBATED AND ANALYZED. IT CANNOT BE LOST IN THE FARM BILL DEBATE.

THANK YOU MR. CHAIRMAN.

CITY OF SAN JUAN

Baltasar Corrada del Rio
MAYOR

April 17, 1985

Hon. Leon E. Panetta
Chairman
Subcommittee on Domestic Marketing,
 Consumer Relations, and Nutrition
Committee on Agriculture
Washington, D.C. 20515

Dear Mr. Chairman:

I am attaching a written statement in support of legislation to extend and continue the Nutritional Assistance Block Grant for Puerto Rico.

As your Subcommittee opens hearings on legislation to revise and extend the National Food Stamp program and the separate Nutritional Assistance Block Grant for Puerto Rico, I want to strongly reiterate my support for the plan PAN in Puerto Rico, and for any legislation that would continue the cash payment features of this program which is presently funded at an annual level of $825 million.

As you start this year's hearings on nutritional feeding programs of the U.S. Government, I would also like to let you know that your work on behalf of all United States citizens in helping low-income families maintain a nutritionally adequate diet is deeply appreciated by all the people of Puerto Rico. As Mayor of San Juan, Capital City of Puerto Rico, and as former Resident Commissioner from Puerto Rico, I want you to know that the work of your Subcommittee and your personal leadership in maintaining nutritional programs of the Federal Government is deeply appreciated.

With best regards, I remain

Cordially,

Baltasar Corrada
Baltasar Corrada del Rio
Mayor

P.O. BOX 4355, SAN JUAN, PUERTO RICO 00905 · PHONE (809) 724-7171

CITY OF SAN JUAN

Baltasar Corrada del Río
MAYOR

STATEMENT OF HON. BALTASAR CORRADA, MAYOR, CITY OF SAN JUAN
SUBMITTED TO THE HOUSE AGRICULTURE COMMITTEE - SUBCOMMITTEE ON
DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION.

April 17, 1985

Mr. Chairman and Members of this Subcommittee: As Mayor of the Capital City of San Juan and former Resident Commissioner from Puerto Rico in Congress I am submitting this written statement in support of legislation to extend and continue the Nutritional Assistance Block Grant of the U.S. Department of Agriculture, a program of critical importance to the nutritional well-being of the more than 3.2 million U.S. citizens of Puerto Rico. This program took effect on July 1, 1982.

This block grant, as all of you are aware, is a result of the provisions of the Omnibus Budget Reconciliation Act of 1981. This law removed Puerto Rico from the national Food Stamp program, cut that program's funding level by 25%, and substituted a nutritional assistance "block grant".

This block grant gave the Island Government a fixed amount of funds which has remained constant for three and a half years. It also granted the local government of Puerto Rico considerable

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flexibility in devising a means to administer the program. As a result of that decision, our then Governor, the Hon. Carlos Romero Barcelo, proposed a "cash payment" program allowing eligible families to receive their benefits by check. This programmatic choice was made and based on the U.S. Department of Agriculture's decision to give flexibility to Puerto Rico to operate either a "cash" or "non-cash" method of distributing benefits. In retrospect, I believe our decision was a sound one constituting a relatively easy means of distributing benefits by sending checks through the mail to eligible families. These families and individuals, in turn, could convert the checks to cash and use this money to purchase food and food related items. The "cash out" method was also utilized since Puerto Ricans are denied full participation in some federal welfare programs such as AFDC and in others, such as in the case of Supplementary Security Income (SSI), do not participate at all.

I am submitting this statement in support of continuing the cash payment program and of providing for an upward adjustment in the funding level of the block grant to cover the costs of inflation or increases in the cost of living. These two features would guarantee the continuance of this program and its favorable impact on the Island's economy.

Even though I was not a member of the Agriculture Committee while in Congress from 1977 to 1984, I have always been a strong supporter of federal nutritional programs. Your Subcommittee, during its visit to Puerto Rico in 1983, largely agreed that the

Government of Puerto Rico was providing an effective means of distributing checks to families participating in the local program.

The legislation to continue the check distribution method was my bill, H.R. 4252. This is now Public Law 98-204. As you know the program must again be reauthorized by September 30 of this year.

I trust this Subcommittee and the full Agriculture Committee will speedily report legislation to extend the program in its present form and also to provide the participating individuals and families with an incremental increase to address their nutritional needs.

A few statistics show the importance of this program:

In Fiscal Year 83 personal income in Puerto Rico was $12.7 billion. Puerto Ricans spent over $3 billion or approximately 24% of their personal income for food. Total food imports amounted to $1.1 billion. Out of the total goods imported from the U.S. mainland approximately 24% were food products. Total income from agriculture in Puerto Rico for that year was $593 million.

As you can see from these statistics the impact of the $825 million Nutritional Assistance Block Grant on Puerto Rican agriculture, commerce, and trade is significant, particularly when considering its effects on jobs, sales, and purchases in the food distribution system.

With regard to the proposal to increase the block grant to provide for adjustment in the program, I urge your support and favorable consideration. I most forcefully point out that the citizens of Puerto Rico have for several years been denied any increases in this nutrition program which are accorded to other U.S. citizens residing in the 50 states, and in territories of this country.

There is no valid reason not to provide U.S. citizens in Puerto Rico the normal incremental increases given to other citizens. I am pleased to see that the bill just introduced this past March 21 by Resident Commissioner Fuster does have a provision for this cost of living increase. Nevertheless, this legislation does not specify the dollar amount in this increase. However, I am pleased to know that the House Agriculture Committee requested to the House Budget Committee, as part of the annual formal Congressional budget process, $863 million for the block grant program in Puerto Rico, an increase of $38 million over the fixed block grant amount of $825 million. This figure, in my opinion, is adequate compensation and merits your support.

I believe these two proposals succinctly state my position on the Nutritional Assistance Block Grant as it affects Puerto Rico.

In the case of our own Capital City, San Juan, I note that my constituents who will receive the monthly checks from the Island Government need some assurance soon from Congress that these benefits will continue, and that they can have any doubts removed as to the maintenance of this program in its present form. Also, like U.S. citizens residing anywhere under the U.S. flag, Puerto Ricans have a right to reasonable increases in the size of their monthly checks to cover the cost of inflation and rising food prices.

In closing, Mr. Chairman, I want you to know that my busy schedule as Mayor of San Juan and the need to meet many commitments to the 435,000 residents of our Capital City of Puerto Rico have prevented me from appearing personally here today.

Your own presence however, and your previous support for Puerto Rico is an assurance that the nutritional needs of Puerto Rico will continue to be met.

I deeply appreciate your consideration of the points outlined in this statement and hope legislation can be passed soon to both continue and expand this most important program.

COMMUNITY SERVICE SOCIETY

STATEMENT

of the

COMMUNITY SERVICE SOCIETY

for the

SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

for the

HEARING ON THE REAUTHORIZATION OF THE FOOD STAMP PROGRAM

April 17, 1985

Prepared by
Eleanor Marshall
Fellow, Health and Nutrition Policy

LUTHER W. SEABROOK, *Chairperson* JEAN T. D. BANDLER, DSW, *President* REV. DAVID A. GARCIA, *Vice Chairperson*
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COMMUNITY SERVICE SOCIETY
STATEMENT ON THE FOOD STAMP PROGRAM

The Community Service Society appreciates this opportunity to express its views on some specific changes we would like to see made in the federal food stamp program. CSS is a nonprofit, nonsectarian social agency committed to lessening poverty and improving the lives of the poor in New York City. We believe that hunger is escalating, that it is a national problem, exacerbated by homelessness, and a problem that must be addressed at the national level.

For decades, the food stamp program has played a key role in alleviating hunger. Recently, however, countless studies and press reports document evidence of growing hunger and malnutrition. Despite the economic progress made in this country generally, the proportion of the population living below poverty levels has increased and now comprises 15 percent of the total. Unemployment among the poor, especially for blacks and Hispanics, and the budget reductions for other social programs have left more poor with little ability and fewer or no benefits to mitigate their poverty. Today the poor have less money with which to supplement their food stamps in order to buy more food. When bills for rent, heat and medical care also rise, there is even less money to spend on food. Soup kitchens and food pantries report that they are serving more and more people toward the end of the month who have exhausted both money and food stamps. Despite the growth of emergency food networks and the additional resources made available by some local and state governments for nutrition assistance, there is no substitute for a federal commitment to ensure adequate food assistance and public assistance for the poor throughout the country. Certainly, there is immediate need for Congress to redress the damage done by some of the administrative changes in the food stamp program made in recent years and to stop further food stamp losses in the FY 1986 federal budget.

Most importantly, legislation is needed which will increase the adequacy and accessibility of food stamp benefits by making the eligibility requirements less restrictive and restoring some of the previously cut benefits. Although the basis used to determine maximum coupon allotments was restored to 100 percent of the cost of the Thrifty Food Plan, for some years benefits have been lagging behind the actual cost of that plan. Consideration should be given either to basing benefit levels on the prospective costs of food or to setting the benefit level above 100 percent of the plan's cost. Benefit levels would also be increased by raising the ceilings on allowable deductions used to calculate net monthly income. The earned income deduction of 20 percent should be restored because the current 18 percent disregard is not adequate to cover average work expenses. In addition, the combined excess shelter/dependent care deduction should be separated and higher ceilings attached. Currently, households which spend more than 50 percent of their net monthly incomes for shelter may deduct the excess costs up to a $125 cap. In New York City and other metropolitan areas, particularly in the Northeast and the West where rents and utility costs are high, the $125 cap is much too low. All costs above the cap have to be paid for out of meager income, part of which was meant to be spent for food. According to the New York State Department of Social Services, 38.7 percent of persons who qualify for the deduction have excess shelter costs greater than the $125 limit. The cap should be raised to $175. New York State estimates this would mean an increase in food stamps of about $2.70 a month per case, or about $6.90 for those now above the current limit on excess shelter deduction. Establishing a separate deduction for dependent care and capping it at $160 would benefit enormously parents with children who are seeking work as well as beneficiaries with high shelter and child care costs. The latter now receive little or no deduction for child care becuase the combined deduction is used to compensate for their high shelter costs. The Congressional Budget Office finds that 75 percent of all child care costs incurred by food stamp recipients cannot be deducted under the coupled deduction formula. A combined deduction was meant to exclude households with high income from qualifying for food stamps. The gross income eligibility limit of 130 percent of poverty adopted in 1981 effectively precludes such households from participating in the program.

CSS also endorses amending the Food Stamp Act to assure that the homeless can receive food stamp benefits. Further, we urge that payments made to homeless persons for the purchase of restaurant meals be excluded as income in determining eligibility and benefits.

In an effort to reduce paperwork and to improve program administration in a cost-effective way, we recommend extending categorical eligibility for food stamps to AFDC, Supplemental Security Income, Social Security Disability Insurance and General Assistance recipients. We further recommend that the definition of household be changed so that the income of a non-responsible relative or acquaintance residing with the family on public assistance would not be included in household income in determining categorical eligibility.

Participation in the food stamp program is lower than would be expected, given the large poverty population. Studies show that lack of information is a major reason why many poor persons, particularly the elderly, fail to apply for food stamps. Therefore, we urge that federal funds for an outreach program be mandatory. Further, timely and valid data should be collected on the dietary status of the low-income population so that the extent of hunger in this country can be more accurately evaluated.

In closing, we would like to make a few comments on some proposed changes in the food stamp program which CSS opposes. Allowing a state to receive a nutrition assistance block grant instead of a food stamp program we believe would further diminish federal responsibility for assuring adequate nutrition assistance to the nation's poor and would also eliminate any uniformity in benefits among the states. We also oppose reinstating the purchase requirement, an earlier provision of the Act which greatly inhibited program participation. Finally, mandating a workfare program for able-bodied recipients in order to obtain food stamps we find a punitive requirement. We urge the members of the Subcommittee to reject such proposals.

There is urgent need for Congress to reauthorize the food stamp program and to change those provisions which will improve the operation of the program and restore the ability of low-income Americans to secure at least a minimally nutritionally adequate diet. Thank you again for the opportunity to address this issue.

Submitted by
Eleanor Marshall
Fellow, Health and Nutrition
Policy

4/19/85
EM/db

NAFCU
**National Association of
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FOR THE RECORD

Statement of the National Association of Federal Credit Unions

Before

The Domestic Marketing, Consumer Relations, and Nutrition Subcommittee

of the

U.S. House of Representatives Committee on Agriculture

on

Food Assistance Programs: H.R. 968, Authorization of

Federally-Insured Credit Unions to Redeem Food Coupons

April 17, 1985

Mr. Chairman and members of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, the National Association of Federal Credit Unions (NAFCU) appreciates the opportunity to make a statement for the record on H.R. 968, legislation which would authorize federally-insured credit unions to redeem food coupons. As the only trade association which exclusively represents the interests of credit unions chartered by the federal government, the National Association of Federal Credit Unions has long advocated food coupon redemption by credit unions as a means of enabling credit unions to meet the needs of their members more adequately. We congratulate Congressman Garcia for his sponsorship of H.R. 968 and are grateful for the broad support this bill has received in the House of Representatives. We are also pleased by the interest your subcommittee is demonstrating in this legislation through the conduct of these hearings. For reasons which we will elaborate upon in our testimony, we consider H.R. 968 to be a good piece of legislation because it provides a means by which all credit unions could redeem food coupons in a manner which is consistent with the current operation of the Food Stamp Program.

For the benefit of the members of the subcommittee, we would like to take a moment to describe for you the role which Federal credit unions play in the financial marketplace. First and foremost, credit unions are profoundly different from banks or savings and loan associations. Unlike those institutions, credit unions are non-profit, cooperative organizations which are committed to providing people of moderate means a strong return on their savings and loans at reasonable rates. Due to their non-profit, cooperative origins, credit unions are imbued with a spirit of democratic control and volunteerism. Under the Federal Credit Union Act (12 U.S.C. § 1751-1795), all members of a Federal credit union, regardless of the size of their shares (accounts), are entitled to an equal vote in the determination of the affairs of the credit union (§ 1760). In addition, the board of directors of a credit union, with the exception of one member, serve by law without compensation (12 U.S.C. § 1760).

Federal credit unions do not serve the general public. As membership organizations they may only serve a specified membership field in which members share a common bond of occupation or association, or reside within a well-defined neighborhood, community, or rural district (12 U.S.C. 1759). In addition to being limited as to whom they may serve, credit unions are restricted in the types of services which they may make available to their members. Federal credit unions may only make loans to individuals. They may not make loans to businesses nor charge a penalty for prepayment of any loan (12 U.S.C. § 1757).

There are approximately 10,500 Federal credit unions in the United States, representing 27.5 million members. Eighty-eight per cent of Federal credit unions have assets of less than $10 million. As of year end 1983, state and Federal credit unions held less than 6 per cent of the small time and savings deposits in financial organizations.

The issue of food coupon redemption by credit unions is reflective of the dedication which these cooperative organizations have traditionally demonstrated to the needs of their members. Credit unions are seeking this authority in direct response to members' requests for the service. Other than the very important goal of satisfying a member's need, credit unions have little else to benefit by redeeming food coupons. As non-profit organizations, they lack the incentive which other financial institutions might find in the levying of service fees. Typically, service charges made by credit unions are set at a level which is necessary only to cover institutional costs.

Food coupon redemption by credit unions is not a unique idea. At one time, credit unions were construed to possess this authority. Until a 1978 ruling by the General Counsel of the Department of Agriculture, the term "bank" in the Food Stamp Act was broadly interpreted so that banks, savings and loan associations, and credit unions were allowed to redeem food coupons. That 1978 ruling stated, however, that only banks would be allowed to engage in food stamp redemption.

Savings and loan associations regained the authority to redeem food coupons by way of the Food Stamp and Commodity Distribution Amendments of 1981 (P.L. 97-98). That legislation amended the Food Stamp Act by striking the word "bank" every time it appeared in Section 10, and by inserting in its place, "financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC)." As a result of this provision, federally-insured banks and savings and loan associations have been empowered to redeem food stamps for their customers since 1981.

This is the first time that Congress has convened hearings to consider the matter of food coupon redemption by credit unions. In addition to the circumstances which prompted Congressman Garcia to introduce H.R. 968, NAFCU believes there have been several significant developments affecting the credit union community in recent years, which together form a compelling argument for now granting federally-insured credit unions the authority to redeem food coupons. Many of these conditions were not present when Congress broadened food stamp redemption authority to include savings and loan associations.

Credit unions now have direct access to the Federal Reserve System. As a result of the enactment of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221), credit unions are permitted to conduct business directly with Federal Reserve Banks. Since the Federal Reserve Banks process food coupon redemptions, this authority places credit unions in a position to more efficiently facilitate the redemption of food coupons.

Credit unions are backed by the strongest of the three federal deposit insurance funds. Federal credit union shares (credit unions do not accept "deposits", member "deposits" are reflected as shares) are insured to $100,000 by the National Credit Union Share Insurance Fund (NCUSIF). Deposits at banks and savings and loan associations are insured to equivalent levels by the FDIC and the FSLIC. Last year, as a result of a campaign by credit unions to strengthen the fund which insures their members' shares, the Deficit Reduction Act of 1984 (P.L. 98-369) contained a provision which required all federally-insured credit unions to post a deposit equaling one per cent of insured shares with the NCUSIF. Those deposits, which were made on January 21, 1985, boosted the insurance fund balance to insured-shares ratio to 1.3 per cent, the highest among all federal deposit insurance funds.

Credit unions are more frequently examined by federal regulators today than at any time in their history. The National Credit Union Administration (NCUA) is the independent federal agency which has regulatory responsibility over all Federal and federally-insured credit unions. Under the leadership of its present board, that agency began to implement in May of 1983 a policy that all Federal credit unions be examined on an annual basis. Prior to establishing this policy, Federal credit unions were examined on an average of every two years, and in many cases the time interval between examinations had stretched to 36 months. For fiscal years 1983 and 1984, the NCUA reported that its goal of examining each Federal credit union on an annual basis was achieved.

Today, as a result of improved ties to the Federal Reserve, a stronger deposit insurance fund and more frequent examinations, federally-insured credit unions are better positioned to assist in the administration of the food stamp program than they have been at any time in their history. This, however, is but one of the factors which should be considered by Congress in considering whether to grant federally-insured credit unions the redemption authority contemplated by H.R. 968. Perhaps most compelling are the circumstances which have given rise to the introduction of this legislation.

As we indicated earlier in this statement, credit unions were established to perform fundamental financial services for their members.

For this reason, the services which credit unions are authorized to provide are responsive to the members' essential needs and generally reflect a public policy determination that without the ability to offer a given service the interests of those who most depend upon credit unions, individuals of modest means, would not be met. On the question of whether federally-insured credit unions should be authorized to redeem food stamps, we believe that the record not only indicates that the interests of credit union members would be better served by granting this authority, but, more important, the interests of many of those who depend upon food stamps for their basic sustenance would also be better served.

As Congressman Garcia indicated when he introduced this legislation, in many urban areas of this country credit unions remain as the sole providers of financial services. In his district alone, the Congressman revealed that branch closings by other financial institutions have removed many outlets for the redemption of food coupons, thereby hampering those grocers with a higher percentage of customers dependent upon food coupons from redeeming the coupons in a timely fashion. The net effect of this phenomenon is that, in the very areas where the use of food stamps is highest and most necessary, grocers are being discouraged from participating in the program.

Many grocers in Congressman Garcia's district, and in similarly affected areas, are members of credit unions. The difficulties they have experienced in redeeming food coupons could be lessened if Congress would grant federally-insured credit unions the authority to perform this service. It should be noted, however, that statutory authorization to redeem food coupons will not be read by the credit union community as a blanket recommendation to engage in this practice. Credit unions have consistently demonstrated that they only provide services which are required by their members. Therefore, in areas where there is no demand placed upon credit unions to redeem food coupons, because other financial institutions may be adequately satisfying the needs of the community, credit unions are not likely to make this service available to their members. For this reason, it is anticipated that food stamp redemption services will be offered only by those credit unions which serve communities, such as Congressman Garcia's district, where the members' needs are not being filled by other financial institutions.

The National Association of Federal Credit Unions supports H.R. 968 because it is responsive to the needs of all credit unions and is consistent with the procedures governing food stamp redemption by banks and savings and loan associations. As we have noted, food stamps are currently redeemed by federally-insured banks and savings and loan associations. H.R. 968 would impose similar conditions upon credit unions. The requirement of federal insurance is not, however, an overly restrictive standard to impose upon credit unions as a condition to their participation in the food stamp program. By law (12 U.S.C. § 1781) all credit unions are eligible to be insured by the NCUSIF. Federal credit unions have no other option than federal insurance. For state-chartered credit unions that might be insured by other funds, the exercise of the authority to redeem food stamps would simply require a conversion to federal insurance. An added benefit to such conversions is that insurance through the NCUSIF would guarantee regular federal examinations of state-chartered institutions. In light of the recent failures of state-insured financial institutions and state-certified insurance funds, your committee might consider periodic federal examinations a necessary condition to conferring food stamp redemption authority upon financial institutions. The oversight function attendant to federal share insurance would serve to protect the operations of the food stamp program from disruptions caused by financial institutions' problems.

NAFCU wholeheartedly adheres to the view that credit unions are quite different from banks and savings and loan associations. These differences are rooted in many public policy considerations and are very appropriate given the role credit unions play in the financial market place. We do not believe, however, that those differences necessarily require that federally-insured credit unions be prohibited from redeeming food coupons. H.R. 968 is necessary and consistent with the traditions of the credit union movement. If approved, it would enable all credit unions whose members require such services to redeem food coupons in a manner that is consistent with the redemption authority currently granted to banks and savings and loan associations.

As a trade association representing Federal credit unions, NAFCU is frequently called upon to testify on various matters before your colleagues on the Banking, Finance, and Urban Affairs Committee. Several members of that committee have expressed concern in recent months that the financial institutions in this country are overly committed to serving the needs of upscale depositors and have neglected to provide lifeline services to those depositors of more modest means who require fundamental financial services.

Credit unions have long been committed to the provision of fundamental financial services. There is no better example of a lifeline financial service than the participation of financial institutions in the administration of the food stamp program. By approving H.R. 968, you can enable federally-insured credit unions to better serve the needs of their members and continue their long history of community service by permitting them to assist those most in need of lifeline services.

Credit Union National Association, Inc.
1730 Rhode Island Ave., N.W., Washington, D.C. 20036, 202-828-4500

April 15, 1985

The Honorable Leon E. Panetta
Chairman
Subcommittee on Domestic Marketing,
Consumer Relations & Nutrition
Committee on Agriculture
1301 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Credit Union National Association (CUNA) represents approximately 19,000 federal and state chartered credit union, which serve more than 51 million individual members. We appreciate the opportunity to submit our comments for the record in support of H.R. 968, which would permit federally insured credit unions to redeem food stamps for merchants.

The Food Stamp and Commodity Distribution Amendments of 1981 amended the Food Stamp Act to allow "financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC)" to redeem food stamps. The 1981 amendments did not provide similar authority for federally insured credit unions. CUNA believes that H.R. 968 would give credit unions another opportunity to serve the basic financial needs of their members.

There are many areas of the country where credit unions are the only providers of financial services. This is the case in rural areas and more importantly in inner-city areas where financial institutions other than credit unions are closing their branches. As a result, merchants in these areas may be forced to stop accepting food stamps from customers. Credit unions are continuing their commitment to less profitable communities, including inner-city localities, small town and rural areas. In order to ensure that merchants in these areas have adequate access to food stamp redemption services, CUNA suggests that all credit unions covered under Section 19(b)(1)(A)(iv) of the Federal Reserve Act be allowed to redeem food stamps.

The recent increases in fees by banks for processing food stamps discourages grocers and other merchants from accepting food stamps. Allowing credit unions to redeem food stamps would increase the number of coupon redemption outlets and would possibly decrease the fees now charged to process the stamps. Providing basic financial products at affordable costs to members has always been an important part of the credit union philosophy.

A recent consumer poll conducted by the American Banker newspaper rated credit union members as the most satisfied consumers of financial services and the least likely to consider changing financial institutions. For years credit union have provided consistently dependable and affordable services to members regardless of their economic status.

Amending the Food Stamp Act to permit credit unions to redeem food stamps would give them another opportunity to meet the needs and provide for the financial security of their member/owners.

CUNA appreciates the opportunity to submit these comments for the record.

Sincerely,

Harold T. Welsh

Harold T. "Tom" Welsh
Chairman